

Education, Children and Young People Committee

22nd Meeting, 2022 (Session 6), Wednesday 21st September 2022

College regionalisation

Introduction

The Committee is undertaking an inquiry on college regionalisation. The Committee intends to look at what has been learned from regionalisation over the past decade and how this might inform future change within sector.

The Committee launched a [call for views](#), which closed on 6 May, and has taken oral evidence at its meetings on 1 June, 8 June and 15 June.

At its [1 June meeting](#), the Committee took evidence from Audrey Cumberford, Professor Sir Peter Scott and Nora Senior. The [papers published for that meeting](#) included a SPICe briefing; submissions from the Chair of the Lanarkshire Regional Strategic Body and New College Lanarkshire and the Chair of Glasgow Colleges' Regional Board; and a SPICe summary of the responses to the Committee's call for views.

At its meeting on [8 June](#), the Committee took evidence from trade unions representing teaching and support staff at colleges, and from Student Partnership in Quality Scotland (sparqs), an organisation which supports student engagement in the quality of the learning experience. The [papers for that meeting](#) included a SPICe briefing as well as submissions from EIS-FELA and UNISON.

On [15 June](#), the Committee took evidence from Student Association officers, Student Class Representatives and Student Association staff.

Committee meeting

At this meeting, the Committee will take evidence from college principals, in two panels.

The first panel will consist of Principals and Deputy Principals from colleges in the multi-college regions: Lanarkshire, Highlands and Islands and Glasgow—

- Ann Baxter, Deputy Principal for Students and Curriculum at New College Lanarkshire;
- Sue Macfarlane, Interim Principal and CEO, UHI Outer Hebrides College; and

- Derek Smeall, Principal and Chief Executive, Glasgow Kelvin College.

The second panel will consist of Principals from colleges in single college regions—

- Joanna Campbell, Principal and Chief Executive, Dumfries & Galloway College;
- Angela Cox, Principal and Chief Executive, Ayrshire College; and
- Hugh Hall, Principal and Chief Executive, Fife College.
- Neil Cowie, Principal and Chief Executive, North East Scotland College

Supporting information

Dumfries & Galloway College has provided a submission. This is provided at [Annexe A.](#)

The Committee has also received a submission from College Employers Scotland. This has been included at [Annexe B.](#)

A SPICe briefing on the issues being considered at this session is provided at [Annexe C.](#)

**Education, Children and Young People Committee Clerking team
September 2022**

Annexe A

Dumfries and Galloway College Written Response 14.09.2022

Introduction and Context

By way of context, it is helpful to outline some of the regional challenges in which Dumfries and Galloway College operates:

- Declining working age population, predicted to shrink by 13.7% by 2043
- Annual medians pay below the national average
- Labour shortages across a number of economic sectors
- Regional economy consisting of 95% SMEs
- Higher than average levels of economic inactivity
- Significant challenges in relation to transportation and affordable housing
- Significant digital infrastructure challenges
- Impact of COVID-19 and Brexit on the availability of labour within key sectors of the rural economy

1. *What has worked well in the college sector in the years following regionalisation?*

1.1. The establishment of a regional strategic college board for Dumfries and Galloway has provided clarity, purpose and alignment to government priorities and the delivery of regional priorities for the communities and stakeholders the College supports. The Code of Good Governance for Scotland's Colleges provides a framework for accountability and continuous improvement for how boards are effectively governed and has provided a set of guiding principles in the implementation of the regional board post regionalisation.

1.2. The college sector in Scotland has a rich history of responding quickly and effectively, adapting to the impact of economic crises by mobilising its collective resources to provide impactful, cost-effective solutions to meet skills needs. In the Dumfries and Galloway region and more broadly the South of Scotland, the new South of Scotland Enterprise Agency (SOSE) has provided a much-needed boost to capitalise and build on economic growth to existing and emerging sectors. A Regional Economic Strategy (RES) was published in 2021 and the College is integral as a delivery partner in achieving the ambition and outcomes of the RES. Regionalisation has therefore enhanced the opportunity for regional colleges to work closely with stakeholders in responding to the skills required for economic growth.

- 1.3. Greater collaboration within the education and skills system has emerged through the regionalisation process since [“Putting Learners at the Centre”¹](#). In the Dumfries and Galloway region we have been able to make significant progress through our collaboration with stakeholders and education partners where we have made impactful changes through joint planning and expanding the range and volume of pathways for pupils in the senior phase.
 - 1.4. Dumfries and Galloway College are the largest academic partner on the Crichton Campus and through regionalisation have seen the realisation of opportunities to enhance the volume and scope of provision across the institutions based on Crichton Campus to improve the learner journey and increase positive student outcomes. However, despite the good progress made since regionalisation, there is still a lack of suitable coherent provision, particularly in STEM subject areas.
 - 1.5. The development of a strong and effective student’s associations has provided a mechanism for greater student engagement in the decision making process and improvements to the student experience by including student members on college boards. Many colleges have developed student partnership agreements to enable effective partnership working.
- 2. *How might the sector further improve in the years ahead?***
- 2.1. The college sector faces significant financial challenges going forward, a reduction in the 2022/23 sector budget of £51.9 million and a flat cash settlement thereafter, inflation predicted to increase to the worst levels since the 80’s, rising costs and lack of capital investment for priority areas such as Digital and Net Zero. The impact of this chronic underfunding will be significant and for a rural college such as Dumfries and Galloway, this impact will be felt more significantly. The economies of scale achieved in larger metropolitan colleges is not afforded, therefore the need to think differently about the model of operating and parity of funding across tertiary education needs to be considered.
 - 2.2. There is a need to move to a more sustainable and equitable funding model with multiyear settlements. This will allow colleges to plan effectively, reduce unnecessary bureaucracy and recalibrate resource to respond to Scottish Government priorities.
 - 2.3. Staffing costs continue to challenge institutional sustainability and the nationalised approached has compounded this further.

¹ <https://www.gov.scot/publications/putting-learners-centre-towards-future-vision-scottish-education/>

- 2.4.** The Outcome Agreement process, whilst successful in aligning college strategic priorities with Government policy, has in recent times restricted the ambition of smaller rural colleges to respond to local need. Dumfries and Galloway College have been successful in meeting its teaching volumes but there has been little scope to flex this as demand increases within the region and in response to an increase in specific interventions in situations where there is an immediate skills crisis. The process of setting and reviewing outcome agreements needs to be simplified. It is overly prescriptive and needs to measure funding impact as opposed to the outcome based approach used currently.
- 2.5.** As a college, we are sighted on the need to create a financially sustainable offer – do more for less. We are looking at adopting new business models that allow us to flex the way in which we deliver within the existing funding envelope. Given the challenges of a rural economy, there are less opportunities for rural regional colleges to generate additional revenue streams than there are in the urban colleges. There are many individuals who live and work remotely in the region supporting larger business organisations in the central belt and suggest there are opportunities to explore a decentralised approach to training to reflect the increased adoption of digital pedagogy post COVID and harness local expertise.
- 2.6.** There is a need for colleges to be an equal player in the tertiary ecosystem. With 26% of university entrants articulating from colleges (and 40% of those from a lower socio-economic background), there is disequilibrium in the allocation of teaching resource when you consider the volume of articulating students and interconnectedness across the tertiary landscape. The current models of funding for post 16 education are not cost-effective therefore there is a need for parity of funding around SCQF 7 & 8 level provision.
- 2.7.** Coherence across the various touchpoints on the learner journey will create an even greater opportunity to match the ambition to the offer, drawing on industry expertise and building on synergies across institutions aligned to regional skills demands. At Dumfries and Galloway College, we support our regional employers through the delivery of apprenticeships training in sectors critical to the success of our region and have created a number of learner “pathways” to support the growth in key sectors e.g. Green Energy and Digital. By drawing on models of good practice across the four nations, exemplified in The Independent Commission on the College of the Future’s report, “[Going Further and Higher](https://www.collegecommission.co.uk/going-further-and-higher)”, published in February 2022, collaborative approaches demonstrate value for the public purse and economic impact.

² <https://www.collegecommission.co.uk/going-further-and-higher>

2.8 Through the establishment of the South of Scotland SFC Tertiary Provision Pathfinders Dumfries and Galloway College are able to play an even greater role in skills alignment. Ensuring the alignment of the college tertiary offer against economic need into the longer term. The two projects the college is leading will enhanced coherence of provision and improved learner pathways firstly in conjunction with the University of the West of Scotland through a joint tertiary offer, and then secondly in conjunction with Borders College, a pathfinder focusing on digital skills.

3. *How might colleges adapt in light of current challenges such as those resulting from COVID-19?*

- 3.1.** The economic shock of the COVID-19 pandemic has presented a real challenge to the rural economy in terms of resilience, with the challenges in the Dumfries and Galloway region exacerbated by issues around digital connectivity and the prevalence of mostly micro businesses (95%) rather than large industries. In the region, the hospitality and tourism sector has been particularly affected. This all compounded by an already challenging economic climate – we have a reduced working age population, reduced spread of skills and productivity levels that are slightly lower than the Scottish average.
- 3.2.** The Cumberford-Little Report “[One Tertiary System: Agile, Collaborative, Inclusive](#)”³, published in February 2020, identified the need to enhance the use of college certified qualifications, and more use of ‘micro-credentials’ to support a new college purpose. This need is greater than ever in supporting the recovery particularly in supporting the need for upskilling and reskilling aligned to the ambitions of the recently published National Strategy for Economic Transformation (NSET). A nuanced approach to support regional variances would provide greater impact than the current system of qualifications development.
- 3.3.** Going forward there is an even greater need to reflect on changes to the way we live, learn and engage with the businesses which then provides colleges with a great opportunity for new ways of working and learning from the opportunities that this has presented. The need is greater than ever to provide a digital offering, which the College is proud to have accelerated via our integrated delivery model to address and are well sighted on this. However, this also needs to extend to the needs for digital as a catalyst to drive new business models and growth.

³ <https://view.pagetiger.com/inlhij/1>

4. *What should be the priorities of the college sector in the years ahead?*

4.1. Much of this has been outlined in the recommendations of both the Cumberford-Little report, the Independent Commission of The College of the Future and the [Scottish Funding Council Review of Coherent Provision and Sustainability: Tertiary education and research](#)⁴.

4.2. In addition to this there is an urgent need to mitigate the impact the cost-of-living crisis is having on the mental health and wellbeing of students.

Joanna Campbell

Principal and Chief Executive Dumfries and Galloway College

14.09.2022

⁴ <https://www.sfc.ac.uk/review/review.aspx>

Annexe B

College Employers Scotland submission

Introduction

College Employers Scotland (CES) is the body through which the Scottish Government's Policy of National Bargaining is delivered and implemented by employers in the college sector, in partnership with the trade unions (EIS-FELA, GMB, UNISON and UNITE). Membership of CES is made up of senior leaders from colleges across Scotland.

The Committee has heard several pieces of evidence on industrial relations during its Inquiry into College Regionalisation. This submission, therefore, seeks to provide Members with accurate information and evidence about the employers' approach to industrial relations within the college sector.

Background

Negotiations take place via the National Joint Negotiating Committee (NJNC) which is the established forum for employers and trade unions to jointly agree issues such as pay, and terms and conditions of employment. The NJNC comprises of a Central Committee and two Side Tables – one for Lecturing Staff matters and one for Support Staff. Various working groups also provide support on key issues.

CES and its members seeks to build constructive relationships with the trade unions at the NJNC on the elements covered within the National Recognition and Procedure Agreement (NRPA). In addition, CES has also looked to work productively with trade unions on other policy areas that both sides can agree on, such as the use of the Coronavirus Job Retention Scheme for support staff, paid leave for lecturing and support staff and, most recently, on a National Menopause Policy.

College Sector Funding

Since regionalisation, college sector core funding has increased by £26.6m in cash terms, or 5.8% real terms increase, between 2014/15 and 2021/22, as illustrated by the table below:

	Core Teaching & Fee Waiver Element (excluding one-off funding) £000	% Increase in Teaching & Fee Waiver Element
AY 2014-15	393,868	
AY 2015-16	394,004	0.0
AY 2016-17	399,560	1.4
AY 2017-18	413,374	3.5
AY 2018-19	413,906	0.1
AY 2019-20	453,990	9.7
AY 2020-21	473,822	4.4
AY 2021-22	498,669	5.2
	Cash terms % increase (2014/15 to 2021/22)	26.6
	Real terms % increase (2014/15 to 2021/22)	5.8

Additionally, the Scottish Budget for 2022/23 leaves the college sector facing a £51.9m real terms reduction in funding – a loss of £23.9m because of inflation, with an additional £28m removed because of the loss of Covid-19 funding previously received.

In the recent report, *Scotland's Colleges 2022*, the Auditor General set out the stark financial challenges facing the college sector, and the likely further deterioration of the sector's finances over the next few years, operating an almost £5.7m deficit in 2021/22 and almost £2.7m in 2022/23⁵. It is important to note that these figures have been calculated without considering the recent 2021/22 increase to staff pay costs or rising college energy bills - with one large college alone budgeting to spend £960,000 more on energy bills next year than currently.

Further, the Auditor General explicitly linked college budgets and increased staffing costs, stating that "*colleges already spend around 70 per cent of their overall budget on staffing and this is increasing, with increases in employer pension contributions and cost of living pay awards driving up staff costs*".

Each year the Scottish Government, through the Scottish Funding Council (SFC), allocate an amount of funding for pay increases. However, in recent years this has never been able to cover the pay claims of the trade unions. This year, for example, SFC allocated colleges £11.8m, with £2m of that spend earmarked for National Insurance increases. However, after negotiation with the trade unions, the total pay award offered to all staff comes to £14.6m, and is consolidated, so colleges will have to find that amount each year now going forwards.

⁵ https://www.audit-scotland.gov.uk/uploads/docs/report/2022/nr_220707_scotlands_colleges.pdf

The “gap” of £2.8million is, therefore, filled by employers scrutinising their budgets to find amounts which can be put towards pay, as well as looking for staff reductions to cover the costs. However, the ability of colleges to find available budget cuts has reduced to a point where it is now directly impacting resource allocation to teaching and learning and thereby impacting learners and their educational experience. Resources are finite and increasingly scarce, and colleges’ ability to repeat this exercise of scraping budgets to afford pay deals beyond the SFC allocation is now extremely limited. Cuts to provision and redundancy programs are already been experienced as a result of the level of pay settlements.

Pay and Terms and Conditions of Staff

Colleges are organisations built around people – our students, our staff, our stakeholders, and our partners. Since regionalisation the pay and conditions of lecturing and support staff in Scotland’s colleges have markedly increased, with college lecturers in Scotland now enjoying significantly better pay and conditions than lecturers in any other part of the UK⁶.

A college lecturer’s starting salary in Scotland now begins at £35,170, rising to £53,530 for a Promoted Lecturer at the top of their fixed point⁷, and is on top of up to 62 days a year holidays. College employers also make generous pension contributions which provides staff with a secure inflation-linked pension for life. Further, all staff the in the 23 signatory colleges to the National Recognition and Procedures Agreement (NRPA) are Living Wage Employers⁸.

Although often stated anecdotally, CES is not aware of any independent evidence of significant staff unhappiness within the college sector compared to any other public sector or tertiary education comparator. Indeed, staff remain in the college sector for many years according to a recent workforce survey undertaken by the College Development Network (CDN). The CDN survey showed that of those who completed the survey (1,810 respondents) almost half (48%) of college staff have a length of service of over 10 years and almost a fifth (18%) have served more than 20 years.

Further, it is also often stated that industrial relations in the college sector are particularly poor compared to other sectors. While it is true that the EIS-FELA have undertaken strike action in the college sector in six out of the last seven years, support staff trade unions have not undertaken strike action since 2016. During this period industrial relations across the tertiary education sector, as a whole, have also faced a challenging period. For example, the Universities and Colleges Union (UCU) has undertaken near continuous strike action on pensions at many universities in Scotland since early 2018⁹, while there have been no such pension disputes at colleges.

⁶ <https://collegesscotland.ac.uk/documents/news/media-releases/1869-lecturer-infographics/file>

⁷ <https://njncscotlandcolleges.ac.uk/njnc/lecturing-staff/993-circular-stl-04-22-lecturing-staff-pay-agreement-2021-22-1/file.html>

⁸ <https://collegesscotland.ac.uk/documents/news/media-releases/1774-scotland-s-colleges-celebrate-living-wage-accreditation-thursday-7-october-2021/file>

⁹ <https://www.ucu.org.uk/article/9242/UCU-announces-14-strike-dates-at-61-universities-in-pensions-row>

Lessons Learned Report

At the 8 June 2022 committee evidence session, there was discussion about whether there were structural issues with the NJNC, and on the Scottish Government's 'Lessons Learned' report. CES would disagree with the trade union witness that "*there is no structural reason why [the NJNC] should not work*"¹⁰ as we believe there are some structural issues that need to be addressed within the National Bargaining machinery, as well as addressing the inter-personal issues that have clearly been identified.

The independent 'Lessons Learned' report commissioned by the Scottish Government makes key recommendations on both structures and processes, as well as on relationships. While there were some areas of the report that college employers would disagree with, overall, CES thinks it is a fair reflection on current industrial relations within the sector. Employers have, therefore, intimated to government their willingness to accept the recommendations of this independent report, as a whole, and to work with government and trade unions on the detail of how these recommendations are implemented.

Structural issues at College Employers Scotland

On 8 June 2022, the EIS-FELA witness stated that "*the way that I understand the college employers association (sic) to work is that it needs unanimity in how it agrees things*" with the indication that the employer's processes in some way slow down, or even undermine, industrial relations.

This is a mistaken understanding of the way CES works. It does not require its members to agree to a pay settlement unanimously. However, it is required to consult its membership about any proposed pay settlement with trade unions, in the same way that trade unions are required to ballot their own members on an employers' pay offer.

This does not mean, however, that CES is complacent about how it operates. Indeed, it underwent an external effectiveness review in 2017 which led to a more streamlined internal process and is, in fact, currently undertaking another governance review to ensure that the current structures and processes continue to be fit for purpose.

2021/22 Pay Award

It was disappointing to hear from the EIS-FELA witness on 8 June their belief that the 2021/22 pay dispute was "dragged out by the employers".

Employers held more than 20 formal and informal meetings with the EIS-FELA on the 2021/22 pay claim between August 2021 and May 2022 to resolve the issue and to seek to avoid industrial action. Several meetings were also held with the support staff side trade unions over this same period, even though they did not have

¹⁰ https://www.parliament.scot/chamber-and-committees/official-report/what-was-said-in-parliament/ECYP-08-06-2022?meeting=13816&iob=125266#orscontributions_C2412793

mandate for industrial action. At every opportunity, employers sought dialogue and opportunities to discuss possible solutions. An offer of an “open book” exercise to give transparency of college finances to trade unions was rejected by EIS-FELA, although accepted by support staff trade unions.

Employers sought to resolve the pay dispute with the EIS-FELA in advance of industrial action starting on 20 April 2022, by increasing their pay offer to £850 consolidated and £200 non-consolidated on the basis of avoiding strikes. This was, however, rejected.

Employers also agreed to meet trade union negotiators as soon as possible after the first day of strike action, and regularly met trade union representatives formally and informally all through the period of strike action itself.

Eventually the pay dispute with both lecturers and support staff trade unions was resolved with a £1,000 consolidated offer from employers on 1 June 2022^{11 12}, which was subsequently agreed to and welcomed by both sets of trade unions^{13 14}.

While the resolution of the pay disputes was welcomed, employers were clear that the eventual pay offer was over and above what colleges could financially afford—given the dire financial constraints outlined by the Auditor General – and will only exacerbate the difficult decisions colleges are already having to make on course provision and overall staffing levels.

Conclusion

In summary, since regionalisation colleges in Scotland have become a very attractive place for staff to work in, with higher levels of pay and better terms and conditions than other college workers across the UK or the average full-time employee in Scotland¹⁵.

Further, College employers are committed to supporting National Bargaining and the NJNC “as a means of delivering progress and sustainable outcomes for college staff, in partnership with trade unions”¹⁶.

¹¹ <https://njncscotlandscollges.ac.uk/njnc/support-staff/995-circular-sts-05-22-support-staff-pay-and-terms-and-conditions-agreement-2021-22/file.html>

¹² <https://njncscotlandscollges.ac.uk/njnc/lecturing-staff/993-circular-stl-04-22-lecturing-staff-pay-agreement-2021-22-1/file.html>

¹³ <https://collegeemployersscotland.ac.uk/news/latest/487-a-joint-statement-by-college-employers-scotland-and-support-staff-trade-unions>

¹⁴ <https://collegeemployersscotland.ac.uk/news/latest/485-joint-statement-by-college-employers-scotland-and-the-eis-fela>

¹⁵ <https://digitalpublications.parliament.scot/ResearchBriefings/Report/2022/3/9/ce765259-d82e-4db7-8ecf-802683f7e56b#:~:text=At%20%2%A312%2C000%2C%20Scotland%20has,higher%20than%20the%20UK%20figure.>

¹⁶ <https://collegesscotland.ac.uk/documents/briefings-and-publications/publications/1794-college-sector-statement-of-ambition-final/file#:~:text=COLLEGES%20WILL%20MAKE%20AN%20IMPACT%20BY%3A,-%E2%80%A2&text=Building%20colleges%20into%20the%20regional,economic%20recovery%2C%20development%20and%20regeneration.>

College budgets are facing severe and ongoing financial constraints and, as the Auditor General has outlined, continually increasing staffing costs only adds to this long-term challenge. Nevertheless, College Employers Scotland will continue to work constructively with both government and trade unions to find positive solutions to improving industrial relations within the college sector.

Gavin Donoghue

Director, College Employers Scotland

Alex Linkston

Chair, College Employers Scotland

Annexe C

The logo for SPICe, featuring the letters 'SPICe' in a white, sans-serif font on a dark purple background.The text 'The Information Centre' and 'An t-Ionad Fiosrachaidh' in white, sans-serif font on a dark purple background.

Education, Children and Young People Committee

Wednesday 21st September (Session 6)

College Principals

Introduction

The Committee will continue taking evidence as part of its inquiry into college regionalisation ten years on. Principals from several of Scotland's colleges will reflect on the impact of regionalisation and both the opportunities and challenges that lie ahead.

Regionalisation

In September 2011, the Scottish Government launched a consultation on the reform of Post-16 education. The [Putting Learners at the Centre: Delivering our ambitions for Post-16 Education paper](#) set out plans to make the college sector more learner centred, as well as being focused on jobs and economic growth. It also signalled a move toward a more interconnected tertiary education sector; since the collaboration between the further and higher education sectors continues to develop.

Aims of the reforms around college regionalisation included:

- An ambition for all young people over the age of 16 to stay in learning and achieve qualifications, improving their job prospects and earnings in the long term.
- Remove course duplication and unnecessary competition for students between colleges and universities.
- Reform the college landscape to ensure it can meet current education, employment and skills challenges and respond rapidly to emerging scenarios.
- Deliver a more efficient system of colleges at a regional level, rather than individual institutions with individual overheads serving overlapping areas. The consultation stated that regionalisation could still support local delivery, taking into account transport needs and economic, cultural and social factors.

- Carry out mergers to create “colleges of scale” to secure “coherent, relevant provision on a sustainable basis, including access-level and advanced and specialist provision”.
- In the case of the colleges serving the land-based industries, merging these on the basis of specialism rather than region.

The consultation also stated that all regional groupings of colleges should be able to offer:

- A range of courses to the communities they serve;
- provision responsive to the demography and social and economic needs of the area they serve;
- capacity to deliver on the Scottish Government’s commitment to provide education, employment or training for all 16-19 year olds;
- wide availability of access courses; and
- scope to achieve cost-efficiencies through reducing back office and management costs and reduction in course duplication and provision.

In February 2012, Scottish Ministers announced their intention to introduce structural change to the college sector as part of wider reforms to Post-16 education. The Post-16 Education (Scotland) Act 2013 underpinned college regionalisation, which saw the formation of 13 college regions. These are: Highlands and Islands; Glasgow; Lanarkshire; Aberdeen and Aberdeenshire; Ayrshire; Borders; Forth Valley; Dumfries and Galloway; Edinburgh and Lothians; Fife; Tayside; West; and West Lothian. Subsequently, college mergers reduced the number of colleges down from 41 in 2011 to 26 currently. Most of these colleges sit within the 13 regions established by the 2013 Act.

ONS Reclassification

The Office for National Statistics (ONS) announced prior to regionalisation that incorporated colleges throughout the UK would be considered public sector bodies from April 2014. This decision meant colleges are now treated as part of central government for budgeting purposes.

Audit Scotland’s 2013 report on Scotland’s Colleges stated that this change meant colleges had to operate within an annual budget reflecting their income and expenditure and “avoid creating a surplus or deficit within Scottish Government budget control limits”. This put restrictions on colleges’ scope to build up financial reserves and led to the creation of arm’s-length, independent foundations to protect college financial reserves.

College Finances

Audit Scotland

Audit Scotland produces annual reports on Scotland’s colleges and these provide useful information about the progress of regionalisation in subsequent years.

Audit Scotland's report '[Scotland's colleges 2022](#)' was published in July 2022. The report found that covid-19 funding contributed to the college sector reporting a healthier than expected financial position in 2020-21 with an income of £792m and an expenditure of £840m.

However, Audit Scotland noted that the financial position of colleges is due to change in the current and following academic years presenting challenges for the delivery of high-quality learning, achieving government priorities and remaining financially sustainable. It was also noted that Audit Scotland's report presents an aggregate position, however there is significant variation in the financial position of individual institutions.

Audit Scotland also highlighted that college sector funding for the upcoming academic year 2022-23 is down five per cent to £696 million compared with the current academic year (a fall of nine per cent to £654 million in real terms). Around 70 per cent of colleges overall budget is spent on staffing.

The auditors also noted that reductions in funding are exacerbated by inflationary pressures and rising costs, putting further stresses on college finances.

SFC Financial Sustainability of Colleges

In a [report published by the SFC in March 2022](#) the SFC also expressed concerns about the financial outlook of colleges. The sector forecast adjusted operating position is expected to deteriorate to a deficit of £5.7 million in 2021-22, followed by a deficit of £2.7 million in 2022-23, before returning to a small surplus of £2.0 million in 2023-24.

The SFC highlighted significant risk areas for colleges that could adversely affect their financial performance and sustainability. These included:

- Increasing staff costs arising from cost of living pay awards, increases in employer contributions to pension schemes and national insurance, and the outcome of the National Bargaining job evaluation exercise for support staff;
- Inflationary pressures putting significant added pressure on the ability of colleges to continue to deliver similar levels of activity without an increase in funding;
- The continued impact of the COVID-19 pandemic including the potential consequential failure to achieve student activity and other income targets;
- Maintaining short-term liquidity;
- Changes to the SFC funding model and colleges' ability to deliver regional outcome agreements and Government priorities;
- The impact of cost efficiencies, including reduced staff numbers and frontline student services, on both the quality of student experience, student outcomes, and on the health and wellbeing of college staff;

- The requirement for colleges to self-fund the cost of staff restructuring programmes while not being able to hold reserves;
- Addressing the increasing level of backlog estates maintenance and ICT/digital requirements to deliver a 21st century learning and teaching environment.

Reflecting on Outcome Agreements Dumfries and Galloway in their submission to the inquiry said:

“The Outcome Agreement process, whilst successful in aligning college strategic priorities with Government policy, has in recent times restricted the ambition of smaller rural colleges to respond to local need. Dumfries and Galloway College have been successful in meeting its teaching volumes but there has been little scope to flex this as demand increases within the region and in response to an increase in specific interventions in situations where there is an immediate skills crisis. The process of setting and reviewing outcome agreements needs to be simplified. It is overly prescriptive and needs to measure funding impact as opposed to the outcome-based approach used currently.”

Scottish Budget 2022-23

The Education and Skills portfolio funds a range of policy areas, including further and higher education funding delivered by colleges. The table below shows the level 2 expenditure plans as set out in the [Scottish Government's 2022-23 budget](#).

Table 1: Education and Skills, Level 2 budget – (£m)

	20-21	21-22	22-23
Higher Education Student Support	925.6	1,399.30	1,017.60
Scottish Funding Council	1,880.10	1,911.00	1,973.80
Advanced Learning and Science	13.4	20.6	22.9
Skills and Training	271.1	277.2	271.9
COVID-19 Funding	-	68	-

Priorities identified in the Budget 2022-23 document are:

- £5m investment for digital equipment for colleges, universities and community learning providers to address the ‘digital divide’ and help students access laptops and other equipment.
- Support the Scottish Funding Council (SFC), college and university sectors to deliver the agreed recommendations of the SFC’s Review of Coherent Provision and Sustainability.

Table 2 shows the net college capital and resource budget over the last three years. **Table 3** shows the 2022-23 budget in real terms 2021-22 prices.

Table 2: Net college capital and resource budget - Cash terms (£m)

	2020-21	2021-22	2022-23	Change 2021-22 to 2022-23	% Change 2021-22 to 2022-23
Net College Resource Budget	640	675.7	675.7	0.0	0.0%
Net College Capital	35.7	33.7	74.7	41.0	121.7%

Table 3: Net college capital and resource budget – Real terms 2021-22 prices (£m)

	2021-22	2022-23	Change 2021-22 to 2022-23	% Change 2021- 22 to 2022-23
Net College Resource Budget	675.7	657.9	-17.8	-2.6%
Net College Capital Budget	33.7	72.7	39.0	115.7%

[Source: SPICe Real Terms calculator](#)

This year's budget sees colleges receive a flat cash revenue settlement (see **Table 2**, representing a real-terms fall of 2.6% (see **Table 3**). The capital budget has increased by £41m. This capital increase reflects additional funding allocated in the [February 2021 Capital Spending Review](#); the [Infrastructure Investment Plan](#) published at the same time outlines this will be spent on the new build Dunfermline Learning Campus. The [Scottish Government's Level 4 budget data](#) also states some of the capital increase is for addressing student digital poverty. Overall funding of £5 million is available to be split between colleges, universities and community learning development.

Ahead of the committee's session, Dumfries and Galloway highlighted the funding challenges they face locally:

"The college sector faces significant financial challenges going forward, a reduction in the 2022/23 sector budget of £51.9 million and a flat cash settlement thereafter, inflation predicted to increase to the worst levels since the 80's, rising costs and lack of capital investment for priority areas such as Digital and Net Zero. The impact of this chronic underfunding will be

significant and for a rural college such as Dumfries and Galloway, this impact will be felt more significantly. The economies of scale achieved in larger metropolitan colleges is not afforded, therefore the need to think differently about the model of operating and parity of funding across tertiary education needs to be considered. There is a need to move to a more sustainable and equitable funding model with multiyear settlements. This will allow colleges to plan effectively, reduce unnecessary bureaucracy and recalibrate resource to respond to Scottish Government priorities.”

Completion Rates and Attainment Gap

In 2020-21 at Scottish colleges, 27.7% of further education students withdrew from the course before achieving their intended qualification, this means fewer FE students completed their course compared to before the pandemic. The proportion of students withdrawing from courses in 2019-20, was around one in five full-time FE students (20.8 per cent). Before the pandemic, around one in four full-time further education (FE) students (24.7 per cent) failed to complete their college course. In 2010-11 27% of further education college students withdrew from their course, while 25% did not complete their course in 2011-12¹⁷. In the same period there has been a fall from 52,212 students in 2010-11 to 41,989 in 2020-21 studying in further education.

As shown in Figure 1 below, success rates on 160 hours plus courses for students from the most deprived areas are lower when compared to overall enrolments. 63.2% of those from the 10% most deprived postcodes and 64.1% from 20% most deprived postcodes successfully completed their college course, this falls below the comparator figure of 68.6% for all enrolments over 160 hours (FE and HE combined).

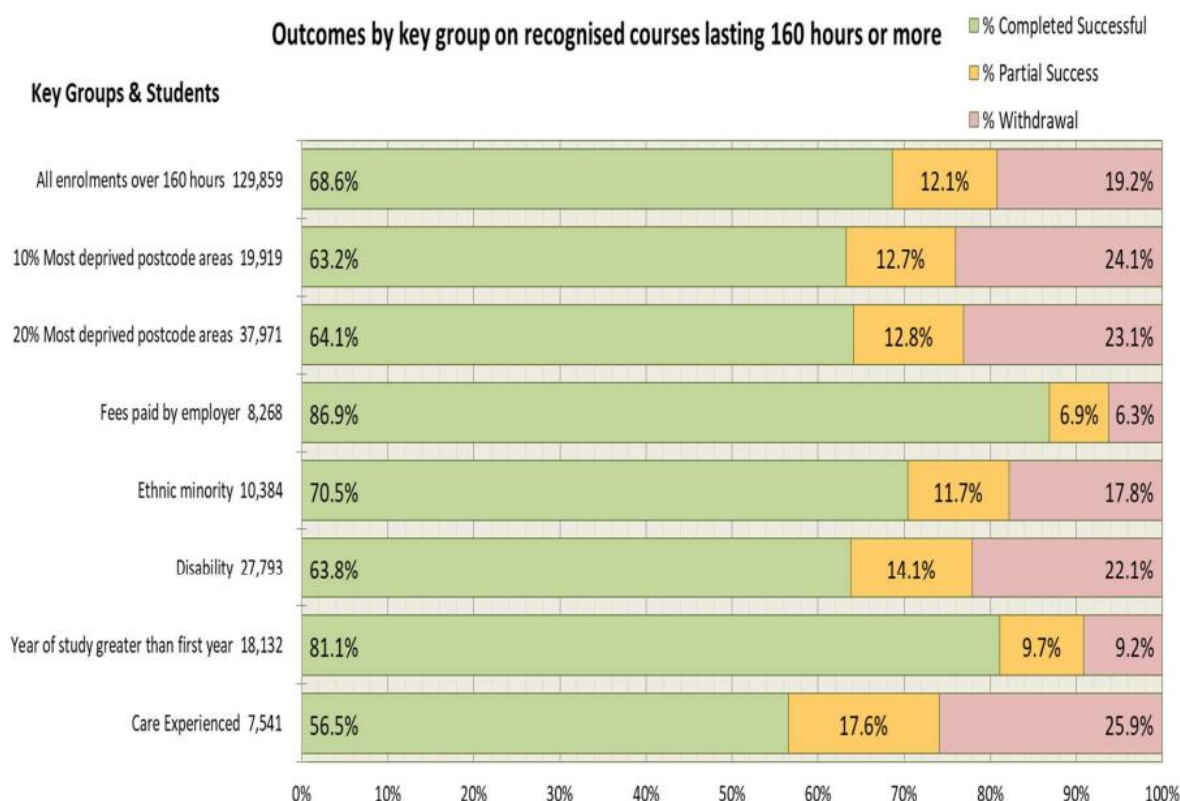
Care Experienced students and disabled students are also less likely to complete successfully and more likely to withdraw when compared to the other reported key interest groups. In the 2020-21 pandemic year the success rate for care experienced students reduced by 3.2pp and the withdrawal rate increased by 3.7pp from the previous year.

Completion rates are not included as a measure for achieving widening access targets.

The reasons behind students not completing college courses will be wide and varied. Surveys by [NUS Scotland](#) and the [Scottish Government](#) of college and university students suggest that student poverty could be a contributing factor. The NUS has stated that around two-thirds of students have experienced mental ill health as a result of financial pressures and a third have considered dropping out of their course due to financial difficulties.

¹⁷ Scottish Funding Council (2022). College Performance Indicators 2020-21. Retrieved from <https://www.sfc.ac.uk/publications-statistics/statistical-publications/2022/SFCST032022.aspx>

Figure 1: Outcomes for student enrolments by key groups on courses lasting 160 hours or more.



Source: [Scottish Funding Council College Performance Indicators 2020-21](#)
 The [Department for Education last reported on competition rates in English colleges in March 2020](#) and will not report again until March 2023 due to COVID-19. Overall achievement rates within the 19+ Education and Training cohort increased from 88.3 per cent in 2017 to 2018 to 89.1 per cent in 2018 to 2019.

Due to differences in monitoring, it is not possible to directly compare these figures. For example, English figures exclude students aged 16-18 and include training within its data. However, the figures may provide members with a helpful context to completion rates across the UK.

Widening Access

Since 2016, universities and colleges have been working towards the mutual aim of widening access to university for students from the most deprived backgrounds.

This work is guided by Scottish Government targets put in place following the recommendations of the [Commission on Widening Access \(COWA\)](#). The overarching target is that by 2030, students from the 20% most deprived backgrounds should represent 20% of entrants to Higher Education.

In his [final report as Commissioner for Fair Access](#) Sir Peter Scott noted that almost half of all SIMD20 entrants to first-year first-degree courses in universities, comes via college routes. He also noted that:

“There has only been slow progress towards opening up pathways for HN students into universities... The proportion of HN students transferring onto degree courses, who receive advanced standing, has also only increased slowly – from 56.7 per cent in 2015-16 to 58.1 per cent in 2019-20. The proportion of articulating students given advanced standing from SIMD20 areas has increased at a slower rate, by 0.7 percentage points compared with 1.4 percentage points for all entrants in this group. It is possible that the work of the National Articulation Forum, and associated activity, will lead to faster progress which will be reflected in the figures for 2020-21. But currently progress is well adrift of the 75 per cent target for articulating HN entrants receiving advanced standing.”

Student Voice

The Scottish Government's 2011 [Putting Learners at the Centre: Delivering our ambitions for Post-16 Education paper](#), as members might expect, stressed the importance of the learners within the reformed post-16 system. This said “funding systems and provision should be designed around the needs of learners and should be simple, transparent and accessible.” (p12)

The paper also stated that students ought to be involved in the evaluation and improvement planning of individual colleges, and student participation and engagement in their educational experience would form part of colleges' outcome agreements with the Scottish Further and Higher Education Funding Council (“SFC”) and the Code of Good Governance. Education Scotland and the SFC's joint publication, [Arrangements for assuring and improving the quality of provision and services in Scotland's colleges](#), states—

“Learner engagement is fundamental to the college's ability to identify areas for development. Colleges should view students as partners in supporting improvement and should have effective processes for engaging students in contributing to the development of the [Evaluative Report and Enhancement Plan].”

Section 6 of the Post-16 Education (Scotland) Act 2013 provides that Colleges' boards of management must include “two persons appointed by being nominated by the students' association of the college from among the students of the college”.

Reflecting on the development of their local student association Dumfries and Galloway College in their submission to the committee said:

“The development of a strong and effective student's associations has provided a mechanism for greater student engagement in the decision-making process and improvements to the student experience by including student members on college boards. Many colleges have developed student partnership agreements to enable effective partnership working.”

The [Education, Children and Young People committee recently took evidence from college student associations on 15th June](#). During the session representatives and staff reflected on their role within colleges.

When discussing participation Amy Monks, Student President of Dundee and Angus College Students' Association, shared the close collaboration between the students, the senior association team and the senior executive team when creating a strategic plan for 2025 and said “it really broke down those barriers, so that our students felt like they truly had a voice”.

However, student officers also noted some challenges with representing students, one officer highlighted particular challenges while being funded by their colleges. Kirsten Koss, Depute President of North East Scotland College (NESCol) Students' Association noted—

“It can be really hard for the student association to disagree with and challenge decisions, because we are funded by the college and are one of its departments. Any disagreements with the college can lead to the relationships you have built with senior staff breaking down. When you know that the college is funding your student association and the work that you do, it is really difficult to disagree completely. Forth Valley College, which I visited recently, has an arm's-length funding model, and Edinburgh College has a completely independent student association. There has to be a degree of independence, because it is difficult to be part of the college and say, “we do not agree with you” when you know that your funding and your relationships with staff depend on it.”

While Heather Innes, Vice President of Communities from the University of Highlands and Islands, suggested that the ability to impact decisions varies depending on the institution. She said—

“I engage mostly with the principal and vice-chancellor and the senior management team, who are fantastic in the way that they listen to us. They want an open and honest conversation, and they are not afraid to be open and honest with us, too, which is nice. When I have a one-to-one with Todd Walker, I do not feel like there are any barriers—it is just an honest conversation. I am not sure how good it would be to comment on individual principals. I would have to go back and speak to my local officers, but I think that the situation varies depending on attitude. Some principals who come to mind are fantastic, while there are others who I imagine are a bit more challenging or who will put up more barriers.”

Regional Strategic Bodies

The SFC recently reviewed the three multi-college Regional Strategic Bodies (RSB) and in October 2020 recommended that the Lanarkshire Board be dissolved, Glasgow consider other organisational options, and the University of the Highlands and Islands (UHI) consider consolidation and possible mergers. In October 2021, the Scottish Government endorsed these recommendations. Almost two years since the SFC made its recommendations, changes are still to be implemented. To date:

- The intention remains to dissolve the Lanarkshire RSB, with both colleges managing themselves as separate regional entities. A timetable for this is still to be agreed.
- Three colleges assigned to UHI – Lews Castle College and North Highland College (both incorporated) and West Highland College (non-incorporated) – are considering a merger (from 2023 at the earliest).
- Glasgow Colleges' Regional Board (GCRB) and its three assigned colleges are exploring other organisational options, but the SFC have stated are finding it difficult to reach agreement on a way forward and needs to be addressed with a sense of urgency.

Possible Merger

In early 2021, the boards of management at UHI North Highland, UHI Outer Hebrides and UHI West Highland commissioned a review into their long-term strategic future. A Partnership Board was formed in September 2021 to formally explore the option of merger. An [initial consultation](#) took place with staff, students, and the public in early 2022. [Feedback from the initial consultation](#) showed 68% of respondents supported the development of the full merger proposal and business case, published on 8 August 2022.

The [business case](#) for the merger sets out reasons for the merger and said “all three colleges face similar challenges in the remote, rural and island contexts, including real-term funding cuts and a declining demographic. We also all have similar opportunities for growth, which by coming together we would have a better ability to realise.”

Key risks are outlined within the business case:

- Financial landscape: continued pressures on public funding, flat-line budgets, further inflationary rises in costs and state of the wider global economy lead to reduced real-term budgets across the three colleges, two of which (UHI North Highland and UHI Outer Hebrides) are currently operating with a deficit.
- Declining youth population: continued migration of under 25s out of the region.
- Lack of growth: in student numbers, curriculum provision, skills development, research, areas of excellence, estate/infrastructure, and internationalisation.

The main aims of the merger are also set out:

- To become a financially sustainable joined up organisation.
- To grow curriculum, particularly into key areas that link with research and commercial opportunities such as the renewable sector, fabrication, aquaculture, Gaelic language and engineering.
- Cohesive and responsive business development teams that can respond effectively and purposefully to opportunities of scale.

- To enhance the student experience through connecting their sites, resources, communities, and multi-location programmes.
- Resilient team structures and depth of resource to address changing priorities, opportunities, and economic difficulties.

Industrial Action

The National Joint Negotiating Committee (NJNC) was established in 2015 to jointly agree terms on issues, such as pay and terms and conditions of employment in Scotland's colleges in partnership with the trade unions (EIS, GMB, UNISON and UNITE). The NJNC comprises of a Central Committee and two Side Tables – one for Lecturing Staff matters and one for Support Staff.

Over the lifetime of the NJNC there has been a significant amount of industrial action on matters such as pay, staff terms and conditions and in defence of national bargaining itself.

The Scottish Government have conducted three independent 'lessons learned' exercises with employers and trade unions following industrial action. The independent report from the final lessons learned exercise makes key recommendations on both structures and processes, as well as on relationships. This report has not been published.

In EIS-FELA's written evidence to the inquiry they said:

“... despite a strong framework, the NJNC has failed to halt a cycle of industrial action in the further education sector and a culture of confrontation between management and unions. Since the advent of national bargaining, there has been only one occasion in which a pay award has been made without EIS-FELA members having to resort to industrial action. It is apparent that there is a management culture in the sector of resisting any improvements to terms and conditions of lecturers and those that exist currently cannot be credited to the employers, but to the willingness of lecturers to take action to both attain and defend appropriate working conditions... The EIS-FELA would welcome a further review, by parliament, into the governance of colleges, as a starting point to progressing the sector forward in the future.”

While the College Employers Scotland highlighted significant gaps in funding, with the Scottish Government, through the Scottish Funding Council (SFC), allocating an amount of funding for pay increases which in recent years have not covered the pay claims from trade unions. For example, SFC allocated colleges £11.8m, with £2m of that spend ring fenced for National Insurance increases for 2021/22. However, after negotiation with trade unions, the total pay award offered to all staff came to £14.6m and is consolidated. They said:

“College employers are committed to supporting National Bargaining and the NJNC “as a means of delivering progress and sustainable outcomes for college staff, in partnership with trade unions”¹⁸...

College budgets are facing severe and ongoing financial constraints and, as the Auditor General has outlined, continually increasing staffing costs only adds to this long-term challenge.”

Impact of the Pandemic

In June 2020, the Scottish Government asked [SFC to carry out a review](#) of the college and university landscape in light of the COVID-19 pandemic and the potential impact on tertiary education. In their report a number of key recommendations were made specifically about colleges:

- A call for the Scottish Government to set out its overall strategic intent for further and higher education and research, along with a national vision and strategy for the college and university estate.
- A call for multi-year funding assumptions, enabling SFC to give more certainty to institutions on continuation of project funding.
- The creation of a National Impact Framework linked to Scotland’s National Performance Framework. SFC will also work with the sector to revise its approach to Outcome Agreements.
- The development of a pilot framework for short ‘micro-credential’ courses to support skills needs across the economy and identifying ways to support lifelong learning.
- Increased collaboration between institutions across the HEI and college sectors, including consideration of shared support services and with industry. This should be supported by the Scottish Government.
- A call for the Scottish Government to work with SFC to build on progress made to widen access to university.
- The development of a single quality assurance and enhancement framework for colleges and universities.
- Improved engagement with employers to determine and respond to skills need.

Nicole Beattie, Further, Higher Education and Children’s Services, SPICe Research

¹⁸ Colleges Scotland (2021). College Sector Statement of Ambition 2021 – 2026. Retrieved from: <https://collegesscotland.ac.uk/documents/briefings-and-publications/publications/1794-college-sector-statement-of-ambition-final/file#:~:text=COLLEGES%20WILL%20MAKE%20AN%20IMPACT%20BY%3A,-%E2%80%A2&text=Building%20colleges%20into%20the%20regional,economic%20recovery%2C%20development%20and%20regeneration.>

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