

5 February 2024

Richard Leonard MSP
Convener
Public Audit Committee
Scottish Parliament

Dear Convener

Scotland's Colleges 2023

On 11 January 2024, the Committee heard evidence relating to Scotland's Colleges 2023 from the Scottish Government and the Scottish Funding Council. Afterwards, I agreed to check if Audit Scotland holds any additional information on two points of interest to the Committee. Details of the information we hold are set out below.

Arm's length foundations (ALFs)

The activities of ALFs are limited to supporting further education in Scotland. Colleges can submit funding applications to ALFs but there is no guarantee that these will be successful. As Auditor General, I am not responsible for the external audit of ALFs. They are charitable organisations which are accountable to the Office of the Scottish Charity Regulator and Companies House. The Scottish Funding Council receives annual assurance on the stewardship of public funds donated by colleges to ALFs, along with details of the inflow and outflow of funds.

Committee members were interested in whether a college can access an ALF's reserves to help finance the college's staffing costs. Audit Scotland has done no recent work that touches on ALFs. [Scotland's Colleges 2019](#) noted that '*Colleges have typically used income from ALFs to fund voluntary severance, capital works and investment in equipment and digital infrastructure.*' This indicates that, at that time, at least some ALFs were able to provide funding to support elements of colleges' staff-related costs. The range of activities for which individual ALFs can provide funding may vary and are likely to be determined by how ALFs have been constituted.

Salaries

The Committee was also interested in elements that contribute to increasing colleges' staff costs – specifically, employees' incremental 'pay progression' within their salary bands each year; and the annual cost-of-living increase which is the subject of national pay negotiations.

Audit Scotland's analysis for *Scotland's Colleges 2023* did not look at the impact of pay progression, which is a common part of contractual pay arrangements in many public bodies. For example, we can see that publicly available information shows the [Lecturing Staff Pay Offer for 2021-22](#) featured salary scale points roughly £2,000 apart on the Lecturers Pay Scale and £3,000 apart for Promoted Lecturers. Colleges themselves will be best-placed to provide detail on the proportions of lecturing and support staff moving up to their next pay band, and the relative impact of this progression on colleges' overall salary costs.

The cost-of-living element is subject to negotiation. July 2022 saw the colleges and four trade unions agree a consolidated pay offer for all staff of £1,000 alongside improvements to terms and conditions, effective from 1 September 2021. The unions were the EIS-FELA lecturers' trade union and three support staff unions (Unison, Unite and GMB). The Committee is of course aware that College Employers Scotland is currently negotiating a pay settlement with these unions.

It would be inappropriate for me to comment on the potential outcome of these live negotiations. However, it is fair to assume that a combination of pay scale progression for some staff plus the nationally negotiated pay settlement will have different relative benefits for the many individuals employed by a college, depending on factors including their role and grade.

Yours sincerely

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