



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit Committee

**Thursday 30 November 2023**

**Session 6**



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Pàrlamaid na h-Alba

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**Thursday 30 November 2023**

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**PUBLIC AUDIT COMMITTEE**

**31<sup>st</sup> Meeting 2023, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

\*Sharon Dowey (South Scotland) (Con)

**COMMITTEE MEMBERS**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Stuart Brown (Educational Institute of Scotland)

Ellie Gomersall (National Union of Students Scotland)

John Mooney (Unison)

Derek Smeall (Glasgow Kelvin College)

Andrew Witty (Colleges Scotland)

**CLERK TO THE COMMITTEE**

Lynn Russell

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Public Audit Committee

*Thursday 30 November 2023*

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning and welcome to the 31st meeting in 2023 of the Public Audit Committee. The first item on our agenda is for members of the committee to agree whether to take items 3 and 4 in private. Do we agree to do so?

**Members** *indicated agreement.*

## “Scotland’s colleges 2023”

09:00

**The Convener:** The second item on our agenda is further consideration of the Auditor General for Scotland’s briefing note, “Scotland’s colleges 2023”. I welcome everyone to the meeting. We are taking evidence in a round-table format, which is intended to promote a freer flow of discussion and, maybe, a less confrontational style of evidence taking. As it is a round table, I invite our witnesses to introduce themselves.

**Stuart Brown (Educational Institute of Scotland):** I am the national officer for further education with the Educational Institute of Scotland.

**Andrew Witty (Colleges Scotland):** I am director of strategic policy and corporate governance at Colleges Scotland, which is the membership body of all 24 colleges in Scotland.

**John Mooney (Unison):** I am the further education lead for Unison Scotland.

**Derek Smeall (Glasgow Kelvin College):** I am principal of Glasgow Kelvin College, and I represent the college principals group.

**Ellie Gomersall (National Union of Students Scotland):** I am president of National Union Students in Scotland.

**The Convener:** Thank you. You will, I am sure, have seen the briefing note that we are discussing this morning. One strong message that comes out of it is a concern about the financial sustainability of the college sector. When we took evidence from the Auditor General, he used the expression, “real viability issues” in that regard. At one point, we spoke about whether there was a risk of insolvency in the sector—whether all colleges in Scotland were going concerns. Derek Smeall, what is your take on the financial sustainability of the college sector in Scotland?

**Derek Smeall:** The terminology that you used was “sustainability”. I will introduce the term “stability” because, often, my discussions—with boards of management, for example—are about stability in the short term, which is what colleges are focusing on at the moment.

Colleges and the college sector, as they are just now, are certainly not sustainable. The Auditor General has explained that to you already. Unfortunately, only the Scottish Funding Council can give specific details about the sector as a whole, because it collates all that information. However, I can furnish you with examples from my college and from discussions that I have had with fellow principals.

To put the situation in context, we are not approaching a difficult situation; we are absolutely in the middle of it. We are one year into a three-year situation.

I would describe my college as well managed. Of course, I would say that, but it is financially stable. You used the term “insolvency”, but we might also think about negative cash balance. We are certainly not in that position. However, I will reflect a little on the previous situation and the situation that we are in just now.

It is important to remember that the Auditor General’s report talks about the academic year 2021-22, whereas, obviously, we are now in 2023-24 and are finalising the financial figures for 2022-23. The committee previously discussed the reporting year. Colleges report and submit our accounts by December each year because of our academic year.

My college, which is of medium size and serves people who are predominantly from the north-east of Glasgow—a lot our cohorts are from the 10 and 20 per cent most deprived data zones in the Scottish index of multiple deprivation—is very much community-based.

In academic year 2020-21, we were in a surplus position of £900,000, and by the end of 2021-22, it was £1.1 million. We knew that a storm was coming, so we made ourselves financially stable. However, in the accounts that are being finalised, which will not be published until they are laid before Parliament, our projection for 2022-23 is a deficit of £1.3 million. That is typical of what is happening in colleges.

Members might ask what has caused the sudden change. We know about the massive inflationary costs that are going on across the board, but the big hit there is the severance costs, because I am downsizing. What is the consequence of that? In 2022-23, I have already released 6.5 per cent of my workforce, and over each of the next two years, I will release a similar amount. By the end of the three-year period—the end of academic year 2024-25—I will have reduced my workforce by 20 per cent.

Why am I doing that? Because it is the only way that I can remain in a position in which I have a positive cash balance. I will not use the word “solvent”, because I am aware that that is a technical term, and that a public body cannot technically be insolvent.

There is a danger of colleges having a negative cash balance at various times. There is an enormous pressure on cash flow because of the real-terms reductions relative to rising costs.

**The Convener:** We will take evidence in the new year from the Scottish Funding Council, but I

note that, in an evidence-taking session with him, the Auditor General told us that, in 2020-21, three colleges out of 24 were in deficit, and that that rose to nine in 2021-22. I am not saying that there will be a linear progression but, if we extrapolate that rate of deficit growth, that would mean that every college in Scotland would be operating in deficit in the next financial year.

**Derek Smeall:** Obviously, I do not have the privilege of seeing all that data laid out. The Scottish Funding Council will collate and review financial forecasts, but every college principal I have spoken to has said that they post a deficit position. However, that is anecdotal information that I have received through conversations with some, but not all, college principals.

**The Convener:** But, you are here, as a representative of the college principals group, so it is important that you are telling us that.

I will ask Stuart Brown about the reduction in the workforce. One of the points that the Auditor General makes in his report is that, although, on the whole, the public sector workforce has grown, the workforce in the further education sector has contracted. Do you want to comment on that or any of the other points that Derek Smeall introduced?

**Stuart Brown:** I will turn Derek Smeall’s points in a moment. I am a bit concerned about the framing of staff costs as the biggest financial pressure, which is how the issue is framed in the Auditor General’s report. Colleges are educational institutions, and staff are their greatest and most important resource. There is no learning without lecturing staff, whom I represent, and there is no learning without the professional services staff whom John Mooney and his colleagues represent.

I am concerned that simply framing staff costs as a financial pressure is dehumanising, frankly. To frame people—actual people—as a financial pressure and as a burden on the sector is insensitive, but it is also short sighted. If you want the best possible educational provision, you have to invest in staff. You have to invest in their terms and conditions and their professionalism. In other areas of the education system, such as schools, that seems to be accepted. However, that has never been accepted in the college sector in the same sort of language, which is disappointing.

Everybody with a stake in the further education sector—students, communities, trade unions, employers and the Government—needs to be clear on what is meant by sustainability. I find Derek’s language around looking for stability interesting. What is actually happening—Derek alluded to it when he said that he was reducing his workforce by 20 per cent—is that the sector is contracting. If the sector is contracting, it will

deliver less. That really concerns the EIS further education lecturers association, and I know that it concerns a lot of other people as well. It should concern communities and it should concern the public. Colleges cannot deliver more with less.

**The Convener:** Ellie Gomersall, I will bring you in at that point because, as a representative of the users of those important educational services, I am sure that you have a really clear perspective on what it means for the students that you represent that this is going on.

**Ellie Gomersall:** Yes, absolutely. First of all, I align myself with what Stuart Brown just said, because one of the most concerning elements of what is happening is that we are seeing massive reductions in staffing numbers—the workforce is being cut—and, as Stuart says, it is staff who deliver that education. There are lots of things that you need in order to have a college and to have somewhere that can deliver that education but none is more important than the staff who deliver that learning.

Those cuts are really concerning to the students who are currently studying at college, and we are also seeing the impact on things such as disability support. More than any other group of students, disabled students are coming to me and saying how worried they are about their college experience moving forward, because they see the cuts that the disability services, for example, are receiving.

There is also an impact on things such as student associations, which, naturally as the NUS president, I am very supportive of. Good student representation and student partnership with regard to how we, as students, are able to feed back and shape our education are absolutely critical. Thus far, in Scotland, we have done a really good job in that regard. However, again, one of the main places that we are seeing cuts is in student associations, which are funded by the colleges themselves. There are some student associations that are now down to one person who is both the elected student representative and, in essence, also the full-time staff support, in addition to taking on another role in student services in the college—and that is the entire representative body for students, which is really not right. That is incredibly concerning.

There is also the point of just how important colleges are to Scotland and to their local communities. Colleges are community organisations; they are the backbones of many local communities. The cuts and this managed decline, as I think it is fair to call it, of colleges in many communities sends an incredibly concerning message to those communities.

We know that colleges are much more likely to be attended by students from areas of multiple deprivation and students from certain backgrounds who would otherwise probably not access post-16 education. Again, the fact that it is colleges that face cuts year after year and are chronically underfunded sends a really worrying message to those from our most impoverished communities in Scotland.

**The Convener:** In the evidence session with the Auditor General, the committee raised the fact that the new Government slogan is “equality, opportunity, community”, but how does that prism fit on to what is going on in the further education sector?

**Ellie Gomersall:** That is just the point: that slogan is a perfect description of what colleges should be there for. Colleges are all about improving equality and opportunities for people across Scotland. They are about education as an inherent good. Education—people learning—is a good thing in and of itself because it enables people to improve their futures.

We know that colleges are critically important with regard to lifting people out of poverty and we know that colleges are critically important community organisations. Therefore, the fact that we are seeing those cuts is really concerning. Such cuts are almost accepted as a norm now, which is also worrying because it puts some people off. People can see that the support that they would expect to receive while they are at college and engaging in post-16 education is slowly being rolled back and cut away. That means that some people who would otherwise go to college might not be going and that some students might not be getting the experience and the grades that they deserve from their college. That is worrying.

09:15

We are talking about the funding of colleges as bodies, but it is also important to note that students need funding to access college. Student poverty rates in the college sector are horrific. Student poverty levels in the university sector are worrying but, on almost every metric, college students have an even worse deal.

Across Scotland, more than 12 per cent of students have been homeless at some point in their studies. We see rates of poor mental health. In the thriving learners survey that Colleges Scotland and the Mental Health Foundation ran, more than a third of college students said that they were suffering from moderate or severe symptoms of depression. The rates of college students who feel suicidal are concerningly high.

College is not just about going in, doing the learning, getting the qualification and leaving; it is about much more than that. It is about growing and developing as a person and accessing the support to do that. We need to acknowledge that a lot of students at colleges are in difficult and tough circumstances and come from rough positions. Colleges need to be equipped to support and uplift those students so that they not only get the qualification that they deserve but thrive.

We have seen cuts to student support services and student associations and cuts to learning. Teaching staff have a significant role in providing pastoral support to students in really tough circumstances, but that role is slowly being eroded. It is clear that that will have a severely negative impact on the students who need that support most.

**The Convener:** Stuart Brown wants to come in—briefly, because I want to talk about a passage in the report about significant areas of risk for colleges, which cover a broader palette of things. I will invite Andy Witty to come in on that.

**Stuart Brown:** What Ellie Gomersall talks about is compelling, because it shows the human impact of cuts. I welcome the Scottish Government making the term “community” central to its dialogue, but I do not hear that word enough in the college sector. Community should be central to all that colleges do, because they serve communities, but what do we hear instead? We hear about sustainability, viability, stability, severance and downsizing. None of those words will help communities.

Derek Smeall is to cut his workforce by 20 per cent, which will have a dramatic impact on the students Ellie Gomersall is talking about who are in the community that Derek Smeall serves. The situation is not confined to the central belt. I heard just this week that UHI Shetland is talking about cutting a third, I think, of its lecturing force, which will have a devastating impact on an island community where there is already a lack of opportunities.

We must be clear about what cuts mean in the human sense. I want to hear an awful lot more from the Scottish Government about the community worth of colleges.

**The Convener:** Thank you—that is clear. Andy Witty, can I ask you to broaden things out? The report identifies other risks that the college sector is up against. Could you elaborate on them and give us your view on them? Are there other risks that are not included in the Auditor General’s assessment?

**Andrew Witty:** I am happy to do that. You raise one of the critical issues. When James Withers, who is the author of the recent report on skills,

gave evidence to the Education, Children and Young People Committee earlier this month, he described colleges as being on a “burning platform”. That shows the impact of the 8.5 per cent real-terms funding reduction that the Auditor General highlighted, given the rising costs that the sector has experienced in relation to the workforce, energy and inflation. The reduction has real impacts, and colleges need to make tough decisions in wider areas such as the curriculum offer, investment in the estate, planning and digital integration—we have seen the benefits of that, and hybrid learning is here to stay.

Inevitably, there are impacts on the workforce. The Auditor General said that there were difficult choices to be made about the workforce that colleges could afford. Colleges do not want to cut their workforce, but we recognise the narrative and the evidence that the Auditor General has given. We are on a burning platform and we have to get through this particular moment so that we can then gain the benefits and opportunities that could be delivered in the medium and long term, as laid out in recent reports.

I do not know whether members are aware of this, but the Fraser of Allander Institute did a report for us just last month, showing the value for money that investment in colleges returns, with £52 billion added to the value of the Scottish economy for a cohort of learners.

The funding reduction affects individuals, and I recognise the conversation about the human side, as the impact comes through reduced teaching hours. There is also an impact on staff and the buildings in which they work, as well as on the pastoral support that colleges can offer students. Those are the areas where things get cut.

What we have asked for, as a sector approaching the draft budget this year, is framed in two ways. We are asking for restoration and we are asking for repurposing. Restoration refers to the return to the sector of the 8.5 per cent that has been cut, so that we can at least get back to a certain level and get some stability into the sector. Repurposing means considering how the wider £3.2 billion education and skills budget can be used more efficiently and effectively to bring money into the colleges. The colleges do not want to be making such decisions: they want investment put in, because it benefits the students, the staff and the economy. The economy of Scotland needs colleges to thrive in order for Scotland to thrive.

If we consider the detailed figures for inward investment in jobs—we are talking about billions of pounds and tens of thousands of jobs—we find that about 80 per cent of those jobs are high-end technical skilled jobs, and the people who have those posts will be trained by the colleges. We



need colleges, and we need their capacity to increase, not decrease.

**The Convener:** Thank you. That has opened up a whole frontier that we are going to cover, including the Withers report.

I am conscious that John Mooney has not come in yet. Before I move on to questions from Colin Beattie, who will be asking about the college estate and so on, I will ask you this, John. Exhibit 2 describes risk factors. We have heard from Ellie Gomersall about the student experience, but let us consider the perspective of your members. The final risk that the Auditor General identifies is

“The impact of cost efficiencies on staff wellbeing”.

What are you seeing as a trade union? What is the impact of that? We are in a period in which inflation has been pretty high by historical standards—certainly by recent historical standards. There has been a flat cash settlement for three consecutive years. What has the impact of that been on your members?

**John Mooney:** There are numerous areas of impact on our members. You have laid out the stark financial terms. As the committee knows, there has not been a pay settlement for 2022-23 onwards, so we are now in the second year without a pay settlement. We have low-paid members, many of whom are women, who are struggling at this time of high inflation. A lot is made of inflation coming down but, as everyone in this room knows, that merely means that costs are increasing more slowly. They are still increasing, and there is continued pressure there.

The general direction of travel in the sector is a real worry for our members. We have already heard words such as “downsizing” and “insolvency” while we have been sitting here this morning. I understand, anecdotally, that a non-central belt college could be in severe solvency risk whenever the pay rise is actually paid. That is how much impact the cuts have had on the sector.

Over and above that, there is the estates issue, which includes the issues with reinforced autoclaved aerated concrete—RAAC—and the general capital funding issue. The reduction in that funding has created health and safety issues for our members at work. Health and safety issues are at the forefront in the approaches that numerous colleges take. The concern for us is that that will mean that people leave the sector. The problem is that we are losing skills and experience, which has an impact on our students. As my colleague Stuart Brown pointed out, without staff, we have no sector.

**The Convener:** Yes. Thank you very much. I invite Colin Beattie to take us through a conversation about where things are with the

college estate, which is one of the focal points in the briefing that the Auditor General prepared.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I cannot remember how many reports the Auditor General has submitted over how many years referring to the backlog in maintenance in the college estate. The one thing that is missing from the briefing that the Auditor General produced is a risk assessment of the total backlog, on which it would have been useful to get information. The total backlog is £321 million. That is an awful lot of backlog. I know that the Government has provided a bit of extra money to address it, but what is the impact of the maintenance backlog on the learning and working environment of colleges? I ask Andy Witty to respond to that first.

**Andrew Witty:** You are absolutely right in the figures that you highlight and about the gap in funding for the infrastructure, which is of significant concern for the colleges. To be clear, that funding gap is about making the buildings wind and watertight. That is what we are talking about even before we get on to decarbonising by 2038 and reaching net zero by 2045. Therefore, the impacts relate to the conditions that staff are working in and that students are learning in. Making sure that there are safe environments for staff and students is also about the student experience.

There are some good examples of college estate where there has been investment, but it is not consistent enough. There are places where tens of buckets are catching rainwater every time it rains. The students have to learn in that environment and the staff have to work in it. That probably contributes to some of the wellbeing elements that Ellie Gomersall talked about. It certainly does not prepare students for the working world or give them the experience that they deserve. You could have someone at college who, because of the course that they are taking, is of similar age to a young person at school, or someone could move from a great school estate with great facilities into some of the buildings that colleges need to utilise at the moment. That has a huge impact.

The curriculum offer can also be impacted by colleges having to make difficult choices about their estate. Obviously, during Covid, learning was all online. That does not work for some of the practical subjects—I am sure that you can appreciate that—but hybrid learning is here to stay. Digitising and getting the estate set up are about not just the physical buildings but the digital elements.

Those are all some of the impacts that the condition of the estate is having.

**Colin Beattie:** John Mooney, do you have a view on that?

**John Mooney:** Yes. I will pick up on a point that was made about the impact that the condition of the estates has on the curriculum. As we move forward, colleges will be expected to play a large part in the Scottish Government's skills agenda by giving people the skills to move on into industry and boost the economy. However, if colleges—never mind making hard choices about staffing, as Derek Smeall outlined—cannot have the right physical environments because of capital pressures, there is a real risk to the Scottish Government's plans for the future.

**Colin Beattie:** Derek Smeall, I will ask you to comment on something additional. Do you have any knowledge of the SFC's progress in triaging for the £4.7 million that will be available in 2023-24?

09:30

**Derek Smeall:** I do not have any specific detail on that. However, I can say that my college has put in a bid for some high-priority work and we have been informed that it is highly unlikely that we will get those funds. Up to £20 million is being requested for that small quantum of funding. That is not an unusual situation, but we have come to the conclusion that we simply will not get that money. Our bid is for high-priority work. It is not a health and safety issue at this time, but it may become one in the future.

Another element to draw your attention to is the backlog of maintenance. My understanding is that the assessment of the maintenance backlog is now at least 10 years old. The calculations are based on the standard of what was assessed back then; it is not an assessment of the here and now.

I understand that the Scottish Funding Council has now published its infrastructure strategy document and is working on an action plan to implement that. However, we as colleges have no infrastructure or framework for approaching the Scottish Government or the SFC to bid for specific work, apart from the emergency fund that Mr Beattie mentioned. There is no framework to deal with the on-going chronic situation.

The moneys that have been provided are for red-level—high-level—backlog maintenance, not for the full maintenance backlog. I again mention that the maintenance assessment is more than 10 years old. We must now wait for another 12 months—until autumn next year—before there is a plan to take that forward.

The next element is planning for the future. Obviously, we are not aware of a mechanism for that at the moment, which is extremely frustrating.

As Andrew Witty just mentioned, the maintenance backlog that we are talking about is simply to keep buildings wind and watertight and capable of carrying on.

John Mooney mentioned general pressures. The maintenance backlog is just one of the general pressures that colleges are under. It has been mentioned that the workforce in the sector is shrinking. The amount of student activity that we are able to deliver is shrinking. The target for colleges across the sector was reduced in this academic year by 10 per cent. My college's modelling estimates are that, by the end of the three-year period, I will have lost 20 per cent of my staff and my ability to deliver the target will have gone down by 14 to 15 per cent. That will fall further if that trajectory continues.

To get back to capital investment and infrastructure, I have already exited one of my small campuses. We are seeking to dispose of it. I will get no proceeds from that whatsoever, because it is a public asset, but that releases me from the burden of maintaining that property and so on. Those issues come together and accumulate, creating additional pressures.

I will pick up the important point that Andrew Witty mentioned on digital investment. I find it almost impossible to make any form of meaningful digital investment in hardware, infrastructure or software development for the future of learning and teaching, which is a big concern.

I have colleagues who are like coiled springs of innovation and who are trying to move forward. I find it difficult to release them, as far as time is concerned, because of the financial constraints and, obviously, because of the lack of a digital budget for development, which is part of infrastructure. Moving forward on that is very challenging.

It is of great concern that it will be another 12 months before there is a plan to respond to the strategy. We are in a desert at the moment.

**Colin Beattie:** It is probably worth noting that, in addition to the £4.7 million, there has been an increase of 7.6 per cent in the sector's capital funding. However, that figure is relatively small compared with the backlog.

**Derek Smeall:** I do not have the facts in front of me, but we must be cautious about that increase, because spending on, for example, a new build skews the total capital investment in the sector. A college might—quite rightly and deservedly—get a new build, but that spend would make it appear as though there has been significant investment across the sector, which is not the case.

**Andrew Witty:** Mr Beattie, I can clarify the point about what capital is available to colleges for

general maintenance backlog. The amount this year is broadly the same as last year. The increases are because of specific programmes. The changes in capital that you see from year to year are often because specific programmes receive the bulk of that. The day-to-day maintenance money that colleges receive is broadly similar this year to last.

**Colin Beattie:** Ellie Gomersall, how is the student experience of the college estate?

**Ellie Gomersall:** Not good. If I pick up on some of the things that have been said, I would add that one of the challenges is that it is a bit of a postcode lottery. A lot of college students tend to be from the local area or community in which their college is based. There is a big disparity between what is on offer in one area and another. Some students are fortunate enough to be in an area where their local college has a lovely shiny new building, whereas staff in other areas are putting down buckets to collect rainwater in some buildings. That is really concerning.

To pick up on some of the things that Andy Witty was saying, what impact does it have on a student if they are in a classroom that is drafty, cold, damp and in poor condition? What does that do to their physical health, let alone their mental health? The impact must be negative. I sure that the effect on staff is the same.

Another thing that I want to pick up on—again, this relates to something that Andy Witty said—is the disparity between the experience of a student at a college and that of a student at a university. A student at a college could well be doing exactly the same course, or a similar course or qualification, to a student at a university. Colleges typically attract students from more impoverished backgrounds—the students come from areas of multiple deprivation. Students who are slightly better off typically go to university. That is not to say that universities are perfect or that all university estates are up to scratch—they absolutely are not—but when we look at the experience of working-class students in Scotland and the experience of other students in Scotland, we can see that there is a real gap.

There is one last thing that I want to pick up on—it is slightly tangential but still relevant. As we have come out the pandemic, we have gone back to in-person teaching, and we have a hybrid teaching model. It is all well and good having good-quality estate or good digital infrastructure, but students must be able to access that. That is a really important point.

Last year, NUS Scotland surveyed more than 5,000 students as part of our cost of survival report. It found that more than one in five students in Scotland have missed classes because they

could not afford the cost of getting to campus and that more than one in 10 missed an online class because they could not afford to pay for the mobile data to access the class. Although this conversation about the estate and infrastructure—whether it is physical or digital—is really important, there must also be investment so that students can access that infrastructure and thrive in those spaces.

**The Convener:** Stuart Brown wants to come in on this question, too.

**Stuart Brown:** Lecturers cannot deliver quality learning and students cannot learn in any sort of quality way in substandard or unsafe environments. That just cannot happen. At the very least, that short-changes students—Ellie Gomersall has outlined eloquently the potential impact of that on wellbeing.

It also means that elements of the college estate are potentially unsafe. I find it ridiculous and extremely concerning that, in the 21st century, we are talking about learning environments being potentially unsafe. It will be autumn 2024 before the publication of the infrastructure plan, which is a long way off.

I welcome your comments, Mr Beattie. As you said, this is not a new issue that the Auditor General is raising. Derek Smeall has talked about it being 10 years since the previous evaluation of the infrastructure. That is concerning.

The college estate is a massive strategic issue for the sector, as well as a health and safety issue. We want to work with college employers to try to address it. Over recent years, we have tried repeatedly to establish a national discussion on health and safety but have been blocked at every turn. This discussion in the committee shows why we need to have such a forum and such a discussion with employers: we need to work together to face this monumental challenge. I reiterate that, in the 21st century, we should not be talking about unsafe learning environments. That is ridiculous.

**Colin Beattie:** I have a question about the elephant in the room, which is RAAC. John Mooney mentioned that as an issue. How big an issue is it? I am aware that RAAC, if it is properly maintained, is not a problem. It is only when it is not properly maintained that it becomes an issue.

**Andrew Witty:** I will give the committee a sense of the scale of the issue with RAAC. Of the 24 colleges, seven have identified RAAC in some part of their estate, impacting 11 buildings or parts of buildings. Of those, four have been closed partially or fully. Other mitigations are in place for monitoring. Surveyors have been brought in, risk assessments have been done and work has been

undertaken with the Scottish Fire and Rescue Service on evacuation if there were a fire.

That is the position on RAAC. It has caused additional pressure. None of the figures that we mentioned takes RAAC into account, because they were all produced several years ago. One of the issues with the estimates that we are talking about is that the one from the last estate conditions survey, which was almost 10 years ago, was that £360 million of work would be required over the following five years. Those five years have passed now. Of course, with inflation and construction costs, the SFC is considering redoing that survey. However, as Stuart Brown said, it will be next autumn before we get the investment plan, which is the key element to enable us to see what the pounds and pence add up to across the college sector.

In addition to that strategic element, there is the human element, which has been clearly outlined. Part of that concerns parity of funding. Ellie Gomersall mentioned universities and I mentioned schools. The Scottish Parliament information centre has produced figures, which have been in parliamentary answers, that show the inequity of funding per student between schools, colleges and universities. Equity of funding and parity of esteem for colleges are part of the cultural mix that needs to be addressed in order to find solutions and a sustainable way forward.

**Colin Beattie:** To be clear on what you said, do we have no idea of what the cost of rectifying issues with RAAC is in colleges?

**Andrew Witty:** I do not have that information. I am not party to the information on cost.

**Colin Beattie:** Does the information exist?

**Andrew Witty:** I do not know. I have not been involved in all the discussions, so I am not sure whether a figure on RAAC exists, but I am not aware of one. The surveying work on that continues.

**Colin Beattie:** Can you say who might hold those figures?

**Andrew Witty:** The Scottish Funding Council would hold them.

**Colin Beattie:** Is it the body that is directly involved in the matter, rather than the individual colleges?

**Andrew Witty:** The individual colleges are discussing it with the Funding Council, which is discussing the detail with the Scottish Government. The detail that I provided is my understanding of the latest position. We, as a sector body, have been engaging with the Funding Council and the Scottish Government about seeking the finance to pay for the work and

ensuring that it is in place. However, I do not have a figure for what the total costs might be at this point.

**The Convener:** John Mooney wants to come in on that point, and then we will move back to revenue, which Graham Simpson will lead on.

**John Mooney:** I have a very quick point for clarity. Mr Beattie asked who holds the information and who understands the detail on RAAC. I will make two points on that. First, as Stuart Brown pointed out, there is no strategic health and safety forum in the sector, where trade unions can ask those questions and have access to that information.

Secondly, granted that I have been in the sector for only eight months, I have never met the Scottish Funding Council. As I understand it, it has been at least 18 months since it offered a meeting to the trade unions, and I suggest to the committee that that needs to change.

09:45

**The Convener:** Thanks for that—it is duly noted.

**Graham Simpson (Central Scotland) (Con):** To follow up on that, you said that you had not met the Scottish Funding Council, but I presume that you asked for a meeting.

**John Mooney:** Stuart Brown is the staff-side secretary, so he will give you a direct answer on that.

**Stuart Brown:** I have been in post for nearly three years. The EIS used to have regular meetings—twice a year—with the SFC at its behest. Over the past two and a half years, that has dried up and the meetings have not been happening.

**Graham Simpson:** For two and a half years, you have not met the Scottish Funding Council.

**Stuart Brown:** No, we have not.

**Graham Simpson:** Have you asked to meet?

**Stuart Brown:** We have maybe had one meeting and some communications, and branches have had communications with the SFC, but my concern is that the SFC, understanding our value and worth as trade unions and representatives in the sector, used to take it on itself to speak to us, but that has not been happening—it has dried up.

**Graham Simpson:** Have you asked the SFC to meet?

**Stuart Brown:** Yes.

**Graham Simpson:** What happened? Did the SFC just not respond?

**Stuart Brown:** I would need to check, but I believe that there is a letter about that at the moment. Again, it should not be for trade unions to go with a begging bowl to ask for meetings. We have value and worth. The SFC should be meeting us regularly, as it used to.

**Graham Simpson:** Obviously, it is common sense that those meetings should be taking place, and it is a real concern that they are not.

To clear up, in my head, the discussion about the maintenance backlog, I have a question for Derek Smeall. Is it the case that, as of now, we do not know what the maintenance backlog is?

**Derek Smeall:** That is my belief about the here and now. The allocation of funding is based on a retrospective assessment that was done several years ago.

**Graham Simpson:** Why are individual colleges, such as yours, not keeping a record of your backlog?

**Derek Smeall:** Colleges have records of estate issues. That is one of the reasons why, as I said in response to Mr Beattie's question, bids are put in when an emergency fund becomes available for high-priority work. That goes back to the Scottish Funding Council.

I reiterate that, although we are talking about backlog maintenance, the amount of money that is allocated concerns only the red grade element. There are red, amber and green grades of maintenance. For the past few years, the funding has been addressing only the red grade—the highest priority—of backlog maintenance. That is based on an assessment that was done many years ago.

**Andrew Witty:** The moneys that have been provided are for both backlog and lifecycle maintenance, and the Auditor General has stated that there is a gap in that funding of £321 million. The backlog is the maintenance that has been missed and is needed to make the estate wind and watertight. Lifecycle maintenance is about the need to spend money to maintain buildings, otherwise they go into backlog maintenance. That lifecycle maintenance is estimated to need around £25 million a year, in its own right, to stop the backlog from increasing.

The estate conditions survey, which was done several years ago, looked just at what was needed in backlog maintenance to make the estate wind and watertight. On top of that, there is on-going lifecycle maintenance. The Auditor General identified the gap in funding that is needed for the infrastructure estate. However we cut it, that is a huge figure, which is needed to make sure that the buildings and facilities are up to the basic standard that we would want people to work and study in.

**Graham Simpson:** I will jump back to something that the convener touched on earlier. I am keen to know the state of play in the college sector. From a previous evidence session, we know that the Scottish Funding Council keeps a risk register of colleges. Some colleges—about five or six—are colour coded black, because they are most at risk. Is that your understanding?

**Andrew Witty:** I do not get sight of that list or the colour coding. I am not aware of the detail around that, so I am not able to answer that directly.

**Graham Simpson:** I will rephrase the question, then. Do you think that there are colleges that are at risk of going under or closing?

**Derek Smeall:** On the word “closing”, I am being very cautious about the language that I use. We can use the word “insolvency”, but I will use the term “in a negative cash position”, and you can interpret that. Basically, it means having no cash. We are public bodies so, technically, whether that closes down a college and so on is a matter for the Scottish Government to consider directly with the Scottish Funding Council.

Again, I do not have the privilege of seeing things across the board. I represent my colleagues, however, so, anecdotally, from discussions, I would be extremely surprised if there were not a significant number of colleges on the brink of going into a negative cash position. The consequences of that would basically be determined by what emergency action the Scottish Funding Council would take.

As far as a list goes, I expect that there is such a thing—a risk register. As a principal, I have not experienced that—it is not something that the Scottish Funding Council has discussed with me directly and I am not formally aware of the existence of such a register. However, it would surprise me if there was not such a register.

**Graham Simpson:** The register exists. I have not seen it, but we know that it exists. I am thinking about your discussions with your fellow principals, who you represent. When you are in meetings in colleges that are at risk of, let us say, running out of money, do any of those principals put up their hands and say, “Derek, we're really in trouble here?”

**Derek Smeall:** Yes, they do, in a subtle and professional manner. I am aware of colleges being in difficulty, but I cannot define how many. However, usually, those sorts of conversations happen directly between the college and the Scottish Funding Council. As I mentioned, the exact situation will depend on the response from the Scottish Funding Council.

There is one interesting phenomenon. Cash flow is absolutely critical, and colleges are under enormous pressure in managing cash flows. There are difficulties in how that financial information is presented, and I think that we heard the Auditor General mention the concept of the AOR—the adjusted operating result—which provides an accurate reflection of the financial position.

Another aspect with regard to cash is that colleges hold considerable cash that is ring fenced and not accessible. Something that is quoted, which is quite correct in accounting terms, is that staffing costs represent 70 per cent of most colleges' income. However, that takes into account a range of income that is ring fenced. I will give the example of childcare costs. We simply manage those costs; we do not access them. They come into our income and expenditure account, and they go directly out; they cannot be touched. Therefore, the term that I use in parallel with that, with my board of management and in discussions, is "accessible income". For my college and the vast majority of colleges throughout Scotland, it is not 70 per cent of their income. Although that figure is technically correct, staff costs actually account for about 80 per cent of their accessible income or revenue.

Another aspect of the cash balance is that we hold special amounts of cash—student funding cash—of which we are only custodians. That balance shows in our regular updates to the Scottish Funding Council on cash flow. To be clear, we cannot access that cash; it is completely ring fenced. Therefore, you must exercise caution when looking at the financial health of the sector as far as cash flow is concerned.

Another element of that is provisions. For example, if a college misses its productivity target by a certain amount, it is liable to a clawback of funds, and it must make provision for that. Therefore, in the accounts, many colleges carry—for a year or up to two years—a provision that they cannot access.

Therefore, it concerns me a bit that the picture can be skewed. If you were not clear about those aspects, a college could look as though it were solvent, for want of a better word, and in a positive cash position when, in reality, it was in a negative cash position.

**Graham Simpson:** I think that John Mooney wants to come in.

**John Mooney:** I will pick up on a couple of Derek Smeall's comments.

We are sitting here in a meeting with MSPs, college principals and trade union and student representatives, but none of us has seen the risk register. That ties in with points that trade unions have long been making about governance in the

sector. It is also linked to issues that we have had in obtaining financial information that we have been asking for for some time, despite the fact that we are a recognised trade union. I must make that point. We have not seen the register and have had issues in obtaining some information.

The general direction of travel in the sector is worrying. Severance is at an all-time high and is increasing, and compulsory redundancies are on the table in some places. That demonstrates the financial pressures that colleges are under. A couple of situations have already been mentioned: there is a developing situation in Shetland and I mentioned another college that has been open in some places about the fact that it will be in serious trouble when the pay deal goes through. The sector is in a really bad place at the moment.

**Graham Simpson:** I know that Stuart Brown wants to come in, but first I want to explore an issue on which he might have something to say. How many job losses are we looking at in the sector? We have heard about a couple of colleges that are cutting staff, but do you see that happening across the board?

**Stuart Brown:** The short answer is yes. The sector is shrinking, as Derek Smeall has said. If we are going to talk about job losses, we must be clear what that means: every lecturing job lost is a cut in educational opportunities for students. To speak about job losses in a silo is to ignore the human impact. I know that support staff and professional services colleagues are experiencing the same thing.

We must be honest about what is happening in the sector. You asked about the state of play. The college sector is in crisis. That crisis has been developing for years; we are now in it; and it will take definitive action to address it. I know that we will get on to the Withers review and report, and I have quite a lot to say about that, because there is a risk that it might become the wrong answer to the right question.

The college sector is in crisis. The EIS and its Further Education Lecturers Association have been saying as much for months; in fact, we wrote to every single college principal and to College Employers Scotland to ask them to publicly back our request for an emergency funding package. However, we got not one reply—not one. That was really disappointing, to say the least. The leadership of the sector must stand up with us and call out what is happening. We need to address this together and bin the adversarial approach that has become the culture in the sector. Working together to address the crisis is the only way in which we can move forward without the devastating impact of cuts, job losses and cuts to course provision that will affect communities up and down Scotland. We must be plain about this:

not recognising the crisis in colleges means not recognising reality.

**Andrew Witty:** Picking up on something that Derek Smeall said earlier, I would say that we are in the middle of a financial situation, not at the end. The Auditor General has identified 8.5 per cent of real-terms cuts that have been made in the past three years, but we are all aware of the messaging with regard to the general condition of the public finances. If we look at that collectively, we have to ask: what is going to happen next? Will we be here next year talking about cuts of 10 per cent overall? What will happen the year after that? My concern is that we are not at the end of the challenges.

We have heard today about the impact on staff, students, the estate, the learning experience and equity of access. That is why we, as a sector, are collectively looking for restoration as well as repurposing. We see the opportunities of a growing sector; the paradox is that this time, when we are on what I have described as a burning platform, is the very time when Scotland needs colleges to provide the workforce to drive the economy and increase productivity. This is the moment when we need that.

10:00

**Ellie Gomersall:** It is important to point out that the problem is not a new one that has suddenly popped out of thin air in recent years. This has been an issue for a very long time. We need only consider the fact that staff have had no choice but to go out on strike for a fair pay deal for, I think, eight out of the past 10 years. That has had a huge impact on students, but we at the NUS are very clear that the impact of cuts is far greater than the impact of any strike action. It is clear that the pay and working conditions of staff have an impact on students, too, because they are our learning conditions.

We have talked about the Scottish Funding Council and college governance. There are lots of challenges with regard to the governance of colleges but, as far as the sector as a whole is concerned, I would just point out that, although I am fortunate to sit as an observer on the board of the Scottish Funding Council, there are no trade union representatives on it. College boards are required to have student and trade union representatives as full voting members. Given that the Scottish Funding Council works for universities, too, the same should apply to university courts. The fact that we are not applying those same standards to the Scottish Funding Council itself concerns me, as it has responsibility for the whole sector, and I am also concerned that meetings with trade union colleagues have not been happening.

The NUS has a fairly good relationship with the Scottish Funding Council, and it is a relationship that we value, but it really needs to be strengthened. The fact that there are no full voting members from trade unions or student representatives is worrying, especially as they would bring the sort of valuable perspectives that are needed to tackle some of the challenges in the sector.

**Graham Simpson:** Yes, it seems completely ludicrous that the Scottish Funding Council does not have union representation. Those are huge issues to explore, but the Funding Council will be coming in front of us, too.

My next question is for Andy Witty or Derek Smeall. Are courses being cut? If so, how many?

**Derek Smeall:** I am probably best placed to answer that question.

This is a difficult issue, because the situation is very dynamic. Perhaps I can contextualise it for me and my own college. Ours is a typical college, although we are more oriented towards the community. We have talked about SIMD 10 and 20 postcodes; 36 per cent of all my students are from SIMD 10 postcodes, and the figure is between 50 and 60 per cent if we take it up to SIMD 20. It is a substantial amount.

There are things happening geographically, with consolidation of courses. What I mean by that is that class sizes are getting larger, with a changing ratio of teaching staff. We are trying to keep the impact as far away from the student as possible, but students are being affected. What does that mean? It means restrictions in choice. Once there would have been choice at entry level, but now, instead of having three choices within, say, an engineering landscape, there will be a generic engineering course, and class sizes will be larger.

Provision will also be more restricted across the different campuses within one college or among colleges. We will try to work together collegiately to ensure that, even if someone cannot gain a place locally, they will at least be able to gain one perhaps three or four miles away. The whole principle, however, is to have courses accessible at place. Indeed, that is a particular point for my own college—I work in Easterhouse, Haghill and Springburn in Glasgow. Those are some aspects of the issue.

My college and many others are doing exactly the same thing, and it is not so much a black-and-white question of how many courses are being cut. I can tell you, though, that between 8 and 10 per cent of all my provision has been reduced this year—that is a fact. The target was reduced by 10 per cent for all colleges, but the reduction could be anywhere between 5 and 10 per cent; colleges will

decide that for themselves, depending on their financial situation.

However, there is definitely a universal reduction, which manifests itself as a restricted, streamlined choice. It also means a restriction in geographical distribution. In my college, I had four campuses—three large campuses and a smaller one—and I closed one down for that very reason of affordability. There is definitely a reduction.

What we are trying to do is prioritise particular areas of demand or need, not just through employers and on an economic basis, but on a social basis, too—that is, in communities. In that respect, staff are doing extremely well. However, I will say categorically that, in order to offset those costs, there has been a reduction in activity and choice across the board in Scotland, and class sizes are getting bigger.

I would like to make one further comment on something that Stuart Brown brought up. I want to make it clear that the settlement of pay disputes is not the cause of any crisis situation that we are in; the cause of the crisis situation is long-term chronic underfunding of the sector. Ellie Gomersall is absolutely correct: it has been going on for years and years. We talk about efficiencies, but we are now in a situation where there is no fat on the bone. We have been cutting into muscle for several years and we have now got to the point where we are actually downsizing. It is the only way in which we can remain solvent, for want of a better word.

I am not choosing to reduce my staff, because of pedagogy or any other basis; I simply do not have enough money to pay the pay bill. It is as simple as that. It is not the dispute—or asking for a settlement and deciding whether it is appropriate—that causes the problems. The problems are caused by continuous underfunding. For the past two and a half years, I have been part of the national negotiating machinery, and for us, this has been one of the major frustrations. There is much that union colleagues here and I will absolutely agree on, but we have come to an impasse, because it is my duty and responsibility to remain solvent. That is where the paradox comes in.

This is not the first year that this has happened—it has been going on for several years. It is why we are in continuous dispute. Well, it is perhaps not continuous—I am exaggerating a bit—but we have been in long-term dispute over the years, caused by the fact that we simply do not have sufficient funds to service our expected output. What has happened now, as far as I am concerned, is that the dam has burst, and there has been a realisation that we cannot expect the same output for the amount of money available.

Hence, there has been an overall reduction in the target for colleges.

**Stuart Brown:** I will start with where I agree with Derek Smeall, which is that I do not think that the majority of college leaderships want to make cuts. I think that some see it as opportunities for something else, but I do believe Derek when he says that he is not making those choices for pedagogical reasons. These are choices that he does not want to have to make.

I also agree with, and welcome, the comment that pay deals, in and of themselves, are not the problem. In its public communications, College Employers Scotland quite likes to remind our members that they are the most well-paid lecturers in the United Kingdom. Why is that? It is because they have gone out and fought for it eight times in nine years. I welcome that sort of dialogue and, to be frank, I would welcome more of it from College Employers Scotland.

Where I do not agree with Derek Smeall—and I think that we can disagree respectfully here—

**The Convener:** You are not negotiating.

**Stuart Brown:** No, we are not negotiating. Do not worry—we will be doing that this afternoon, and I hope that it will be a fruitful negotiation. Perhaps that is a forlorn hope, but we will see.

I am very clear that a reduction in activity, downsizing and job cuts means cuts to provision, which means course cuts. Let us be honest about what that is—we have to be. It is crisis point. Having bigger class sizes is not the answer. There is not one shred of educational rationale to be found anywhere that says that large class sizes are better, and there never will be. I say that as a former teacher.

I am clear that cuts to provision are happening, and the areas that are cut first are community learning and provision for additional support needs. That is how it works—that is what happens. The most vulnerable people in society are the ones who are losing out as a result of the cuts.

**The Convener:** John Mooney wants to come in, and then we will have to move on, as the clock is against us.

**Graham Simpson:** I know. There is a lot of interest in this area.

**John Mooney:** I will try to keep it brief.

On the question of how many jobs are going in the sector, I cannot give you a specific answer, but I am, to be honest, quite alarmed to hear that Derek Smeall's college is reducing jobs by 20 per cent—I have real concerns about what that means across the sector. I would just point out that between eight and 10 colleges are currently



talking to Unison—or not, as the case may be—about reducing jobs; that is roughly 40 to 50 per cent of colleges. That is the situation that we have been in over the past few months.

**The Convener:** Okay. As Stuart Brown called out Andy Witty’s organisation, I think that we need to give him the right to reply before we move on.

**Andrew Witty:** Thank you. Stuart Brown raised the point, which we do not want to miss, that Scottish lecturers are the best paid in the whole of the UK. At the weekend, the Deputy First Minister said that,

“there is a relationship between headcount and pay”,

and she made the point that public bodies would need to downsize their workforce.

As the committee has heard—it was also in another report by the Auditor General—further education is one area in which reductions have already happened. However, it is where we need to look at and take forward “Effective, affordable workforce planning”, which is one of the Auditor General’s recommendations.

**The Convener:** Okay—thank you. I know that Stuart Brown wants to come back in—you will have another opportunity, Stuart, before we finish up—but I am keen for Willie Coffey to lead the next part of the conversation.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** The Auditor General’s report also looked at colleges’ ability to generate income from other sources. We know that Covid really hammered the ability of colleges to seek additional income from external sources. We also know that the European social fund has dried up and pretty much disappeared.

I want to get a perspective on that from Derek Smeall and Andy Witty. What are your thoughts about that? Is work being done in the sector to try to recover some of that activity at all? If so, can you give us a flavour of what that looks like, and whether you think that it will be successful in the medium to long term in assisting colleges to generate income from external sources?

**Andrew Witty:** I can kick off, and then Derek can give some examples from his college.

As a baseline, the average funding for the sector that comes through the Scottish Funding Council is about 75 per cent of the day-to-day funding for colleges. The proportion varies between colleges, but that is the broad average across the sector.

Some of the other 25 per cent is also public funding, but it comes through different routes, such as tuition fees. There is commercial income in the college sector, but it is a relatively small percentage. Nevertheless, it is needed, not for the

nice-to-have things but for the day-to-day running of the sector. We therefore have public assets that are in public ownership but are not fully publicly funded.

Colleges generate commercial activity and, again, that will vary from college to college. It stopped during Covid, but it is picking up. However, getting to significant levels of commercial income would probably involve looking at changing a college’s business model so that it would no longer focus on learners as its core purpose. Colleges are getting into partnerships and collaboration, and there is work to be done in looking at how much employers contribute to skills training and costs and how they could work with different colleges.

It goes back to the question of value for money. Earlier I mentioned the Fraser of Allander Institute’s report, which is clear about the value for money for each public pound that goes in and how that is multiplied in the benefit to the individual as well as the Scottish economy. It is critical, therefore, to find a way through this. Of course, in parallel with all of that, because of their structural set-up, colleges cannot hold reserves or borrow, which adds to the challenge.

That is just a broad overview. I do not know whether Derek Smeall is able to come in with some specifics.

10:15

**Derek Smeall:** It is an interesting picture. I caution members to remember when they read the financial papers in college outcomes, that non-SFC funding does not equate to commercial income, as Andy Witty was saying. The amount of money that a college receives from Skills Development Scotland, the local authority to a lesser extent and, of course, the fees of individual students can be quite sizable.

Have we been working as colleges to bring in that level of commercial activity? The simple answer is yes—we have been trying to drive that. However, the confusion that we have had this year around the flexible workforce development fund has not helped.

The flexible workforce development fund was a great success, especially when it was also open to small and medium-sized enterprises. In my college, in the Glasgow area and across the board in general, it was very welcome. It is quite flexible and it allows many companies to upskill and reskill and, again, it is funded by the Scottish Government. This year, however, those moneys were not forthcoming. In my college, we are now making the assumption that they will not be forthcoming this year, and that is a great disappointment.

We deal with a lot of SMEs—ours is an SME-built economy—and they often wait to see whether there will be any Government subsidy. Because of the confusion and uncertainty about the flexible workforce development fund, some companies will not engage at the moment, because they are waiting to see whether there will be support from the Government. That is one element that is causing us a bit of difficulty.

There is an issue with industry—be they large or small companies—contributing towards training. In my view and that of many of my colleagues, that is because of the confusion in the landscape. Flexibility is the key word. There needs to be trust in the colleges and institutions that they can work extensively with local employers and industry bodies and perhaps subsidise or dual-fund priority areas. I suggest that that is the way to go forward to assist in building that commercial element.

Pure commercial work makes up an extremely small proportion of almost every college's income. We must bear in mind that the fact that commercial work is only at the margin of reinvestment in the core business of colleges, and it will bring in a maximum of 20 per cent or 25 per cent. I cannot speak on behalf of all colleges, but the proportion is comparatively small.

I will give you an idea of the amounts of money that we are talking about. By my calculation, for my college—which is mid-sized and not the largest college—cumulatively, over the five-year period that we are asked to project for, the flat-cash settlement leaves a black hole of in excess of £12 million. My college's turnover is £33 million. That is just to give you a quantum of the amount of money that we are trying to save. To be quite honest, when we are dealing with such figures, the amount of commercial money that we could expect to bring in pales into insignificance. However, it is a very important aspect for us to drive forward.

We have exceptions. The City of Glasgow College's provision of nautical education over decades is a worldwide phenomenon. Some colleges have specialist elements that do well. However, the idea of a commercial income increasing to a level that would make a real dent in the current financial situation is unrealistic, although it is a very important aspect, and colleges are doing everything that they can to drive that forward.

**Willie Coffey:** It is really helpful to hear that, Derek. You talked about flexibilities. Do you need different, better or revised flexibilities to enable you to pursue those directions? If you wish to generate more commercial income, do you need more flexibility or power? What do you need?

**Derek Smeall:** It is not so much about power but about the flexibility to work with industry bodies

and local skills planning, for example. We have the economic regions and we work very closely with Glasgow city region, which, although it has the word Glasgow in its name, covers a much wider area. Eight local authorities, including North and South Lanarkshire, are involved in looking at those needs and alignments.

We have multiple funding streams, such as Skills Development Scotland, which I mentioned earlier. Modern apprenticeships are enormously important. My own college has 900 apprentices receiving training at any one time. We have national specialisms that are funded by Skills Development Scotland through a completely different stream. The need to vire funding across and prioritise elements is challenging. Therefore we must take a streamlined approach, take account of flexibilities, and work in partnership with industry to see whether we can adopt methodologies such as match funding to encourage bodies that are seeking to increase their impact.

We can do many things in that space, but the key approach should be to work across the board. Having flexibility in general terms, but also in those specific areas, would be productive.

**Willie Coffey:** That is really helpful. Thanks for that.

I think that Stuart Brown also wants to come in, but first perhaps we could go back to Andy Witty.

**Andrew Witty:** Derek Smeall mentioned flexibilities. Colleges have been offered several of those this year. We have sought flexibilities over a number of years, including additional ones, and we currently have some. It is a regional picture, so those flexibilities benefit some colleges more than others, depending on their regional situation, the make-up of courses, and whether they are in a growth area, and we must bear all that in mind.

We try to call flexibilities “foundations”, because we want to see them being embedded rather than colleges having to seek them each year. If we are to overcome what has been described as a burning platform, we need to get good foundations in there.

Perhaps the more fundamental point is about examining the underlying funding model. It is not an exaggeration to say that if that model were correct, we would not need flexibilities. A key element of any future work should therefore be to consider fundamental changes to the overall funding model for the college sector.

**Willie Coffey:** Thank you. Stuart Brown also wanted to come in.

**Stuart Brown:** I find the discussion on this area disturbing. We are now talking about what is genuinely the biggest risk to the college sector. It

is really all about changing the entire nature of a public sector education service.

Andy Witty spoke about changing the business model. What that really means is that if we are to grow through commercial income, or increasing business subsidies, that will involve private sector income. Private sector income and influence will come in to a public sector service, which will change the entire nature of further education. If we grow through commercial income and business subsidies, that might be the answer to what Derek Smeall characterised as chronic underfunding, and I agree with his description. However, it would be privatisation, and we should say what it is.

In the future, there will come a tipping point where colleges move further away from community-based learning and their wider societal mission to serve the needs of business in the economy. That is only one part of the wide array of work that colleges do. If we were to go down that road, it would be the wrong answer to the right question. Colleges are public sector bodies. They provide an education service that is focused on the public good, so they should be funded as such. Increased privatisation through the back door is not the answer.

**The Convener:** I think that John Mooney and Ellie Gomersall wanted to come in. Andy Witty has already come in on that point. We will go to John first and then Ellie.

**John Mooney:** I just wanted to pick up on Stuart Brown's point. From Unison's point of view, that could potentially lead the Scottish Government into a similar situation to the one that it was in during the pandemic, in the area of social care. It needed certain things to be done in certain ways and for certain reasons, but it no longer had control because social care had been outsourced to charities and so on, and not just to private companies. It did not have enough control to get what it needed. We in further education are genuinely at risk, for economic reasons, of being reliant on colleges to deliver certain things at certain times in order to meet whichever aims are in place at that point. However, if the colleges are dancing to someone else's tune, we will simply not be able to do that. There is a genuine risk to Scottish Government planning in the future, over and above Unison's concerns about public sector provision moving into the private sector.

**Ellie Gomersall:** I am sure that people saw me nodding vigorously to everything that Stuart Brown said, because I agree strongly. The risk is huge.

It comes down to what colleges are and what they are for. They are about community-based education. Education is an inherent public good, and we should value it in and of itself. It is not always inherently bad to have industry and

businesses involved in some way. It can sometimes be beneficial, particularly when it comes to gaining skills in particular industries. However, the moment that you start adding money and funding to that involvement, it removes the independence of education. It also narrows down options and choices for students.

We have heard about choices for students already being narrowed down because of chronic underfunding. We need to remember that people do not simply go to college so that they can get the piece of paper that allows them to get a particular job. That is not the reality. Colleges are so much more and better than that. Many students access college in order to progress and transition into university, for example, and I have real concern about how those transitions and pathways would be affected by funding models that involve industry, and about how that would impact students' freedom and choice. I share the strong concerns that Stuart Brown and John Mooney pointed out.

It ultimately comes down to the fact that colleges are public sector bodies. They should be funded by the Scottish Government. Their recent chronic underfunding is scandalous, to be frank. Some of the things we have heard throughout the evidence session about the state of the estate are embarrassing, to be perfectly honest.

Solutions have been presented. Last year, the Scottish Trades Union Congress published a very good paper on progressive taxation as part of its Scotland Demands Better campaign. I acknowledge the significant difficulties that the Scottish Government faces at the moment, but ultimately, the matter is about prioritisation. We have to recognise the value of Scotland's colleges and how critical they are to the Scottish Government's goals of lifting people out of poverty. Funding has to be a priority. Colleges need to be funded by the Scottish Government, and the STUC's paper suggests some options that the Government has for raising the revenue to be able to invest in Scotland's colleges and education system.

**The Convener:** I am conscious of the time, and we are anxious, before we conclude, to cover topics such as the Scottish Funding Council's new model of distribution and what impact that will have. We will also turn to the Withers review.

I invite the deputy convener, Sharon Dowe, to guide us through the final section of our discussion.

**Sharon Dowe (South Scotland) (Con):** What are the witnesses' views on the Scottish Funding Council's new funding distribution model, and the extent to which it provides colleges with more

flexibility and opportunity to decide how best to respond to local, regional and national needs?

**Derek Smeall:** I appreciate that that is in the document. There is no new funding model: there have been adjustments to an existing funding model, and they have been very minor. They are welcome, so I will say that we have, in our interaction with the Scottish Funding Council and Scottish Government colleagues, been listened to.

We have had discussions, but the adjustments are purely short-term responses to requests. Andy Witty mentioned an on-going request for flexibility. We were talking more about a future model—a long-term model. However, we have been offered some things—sometimes at the 11th hour, sometimes in the middle of a year that was already active and sometimes retrospectively. Again, I am not complaining about that. The fact that the changes have happened is positive. There has been some movement.

10:30

However, I have to clarify that they are very small and immediate responses and certainly do not represent a reshaped overall funding model, which is absolutely essential in order to move forward. We need to have that dialogue now, because it takes time to look at the funding model. The Scottish Government has committed to a new funding model for post-school education, which I welcome. We should be looking at that model here and now and starting to develop it.

There has been some movement and there are some flexibilities, which are welcome, but they certainly do not change the overall situation and the magnitude of the situation that we are talking about now. Those flexibilities might prevent some colleges from getting into severe difficulty at this moment, but they are survival mitigations, as opposed to something else.

**Sharon Dowey:** I have a question on the new funding model, so I will come back to that later.

**Andrew Witty:** I will build on what has been said. There are two stages to the process: we have to deal with the immediate issue and we must be able to plan and take opportunities to get things settled for the medium-to-long term. On the flexibilities that have been offered—Derek Smeall is quite right about the changes to the current funding model—as I said, those are more beneficial to some regional colleges than others, but they are there and they have helped, in general, to deal with the immediate situation that we are in.

However, as I mentioned earlier, resolving the fundamental issue involves considering the funding model itself, which is more of a medium-

term measure, as Derek Smeall said. We want a new funding model to be introduced in the first possible academic year, so we are keen to see those conversations on the new funding model developing as quickly as possible.

**Stuart Brown:** I agree with what Derek Smeall said, and what he has said about this new funding model—I do not believe that it is a funding model—is concerning, because it is just a sticking plaster on the overall situation of chronically poor funding. It has been hard for the unions—I am sure that John Mooney is in the same position—to find out concrete details around funding, because we do not have regular meetings with the SFC.

On the specifics, rebasing credit allocations, for example, can be positive or negative, depending on who you ask, and I have had different answers from different colleges on that. The Scottish Government supported the rebasing of credit allocations. That is a positive thing that the sector wanted, but several principals have told me that they did not want it. Given the serious financial challenges, it is not clear how significant the impact will be of ensuring that 20 per cent of college funding is not directly linked to credits. I am not sure what that does, to be honest. It is a sticking plaster, at best; at worst, it is what Derek outlined.

**Sharon Dowey:** In that case, I will move on to my second question straight away to bring those aspects together. If anyone else has comments on the first question, they can make those afterwards.

The Scottish Government plans to take over national responsibility for skills planning and to establish a new national model of public funding for all colleges, universities, apprenticeships and training. To what extent will those changes help to address some of the challenges that the college sector faces? Is the pace of those changes quick enough? I am quite sure that everybody will have been thinking for quite a while about what model we actually need. Given the issues that witnesses have raised during this evidence session, are we moving quickly enough? I will bring in Stuart Brown first, because he commented earlier that it is the wrong answer to the right question.

**Stuart Brown:** I said that the majority of the Withers report is the wrong answer to the right question. In and of itself, the Scottish Government taking over responsibility for skills planning is not really anything new, because strategic responsibility for college education has always sat with the Scottish Government. What is new is the language around skills, and that concerns the EIS from an educational perspective.

If unchecked, the language about skills could lead to a narrowing of the curriculum, as Ellie Gomersall said earlier. Colleges deliver skills, but

they also provide learning pathways and opportunities for a wide cross-section of society. If the recommendations of the Withers review are taken forward in full, it will be not only the Scottish Government that will have a regional and national input on skills: businesses will be in there too, because that is one of the key recommendations. So, at national and regional levels, businesses and the Scottish Government will, in effect, be defining the college curriculum. I find that concerning and the EIS finds that concerning.

One reason for our concern is that we were not consulted during the review. The first I heard of the Withers review was when the minister for further education mentioned it to me. The EIS was not consulted and nor were professional services unions. Educators—the ones who will deliver the education—were not consulted. I am looking at the matter from a former educator's perspective: if you have an unbalanced evidence base, you are going to get an unbalanced outcome. I find the acceptance of the direction of travel that was set out by Withers to be concerning.

The pace of change, if it is fast, would also concern me, because there is an awful lot that we need to discuss about the Withers report and about whether it is actually a good thing.

I spoke about privatisation by the back door. If business is effectively defining the college curriculum, that is privatisation of the curriculum, which is wrong. Additional support needs, community learning and pathways to university will fall by the wayside and there will be a narrow focus on skills and on the needs of business. Business absolutely has a role to play and should be part of the change, but that should not be unbalanced by what business needs. We must think about what communities and society need, too.

**Derek Smeall:** The direct answer is that, in my opinion, we are certainly not moving fast enough. There has been some commitment to change, but we do not know what the picture is at the moment. Am I in favour of moving ahead with a new post-school, or tertiary—whatever you like to call it—funding model? I am absolutely in favour of that. Funding needs a complete overhaul. Is the college sector in favour of moving towards a single funding body? If that is done correctly, in line with our vision, we are in favour.

There is a bit of a paradox in the Withers review. On the one hand, the report talks about the Government's central responsibility, but it also talks about regionalisation. That must be clarified. Colleges have a view on that and think that it can work. Stuart Brown is right to say that the responsibility for high-level strategic direction on skills lies with ministers. However, there must be a step change and more strategic direction. I would

support that, but the paradox of the regional element must be resolved. That is why colleges want to be part of the conversation. I accept Stuart's points about consultation of unions.

I would like to see change being accelerated. I understand that the purpose and principles have been set up and that we have a set of commitments in response to Withers—although those are not a formal response—but there is an enormous amount of work to do.

The potential merger of the three funding bodies will also have implications. That is an extremely complex thing to do and will take a significant amount of time. College principals cannot wait for that. I welcome the fact that the minister has stated that that will happen, but I am not convinced that there is a realistic timescale. That needs to be driven forward.

I cannot comment on the new framework, because I have seen absolutely nothing that describes what it would be, except that it would be for all education, training and skills.

There is an interesting phenomenon in the directorates within the Scottish Government. I am involved in a lot of regional-level discussions about skills—I mentioned Glasgow city region. Should those discussions be reported back through the economic development directorate or through lifelong learning and skills? That phenomenon needs to occupy the Scottish Government and ministers in the future. I am absolutely sure that directorates can work together, but as a person, as a group and as a sector feeding into that, I am, and we are, a little unsure of those pathways.

Stuart Brown pointed out that we have an economic need, but we are still without education on that. I am not as concerned about that, although I understand Stuart's points, because we can balance those needs and demands. However, we need an element of clarity on what happens between economic development and lifelong learning and skills.

**Sharon Dowey:** Were you involved in the review in any way? Were you consulted on it?

**Derek Smeall:** As a group of principals, we fed back to James Withers as he gathered evidence on his visits to colleges. Our involvement was in providing information.

**Ellie Gomersall:** You may have seen me again nodding along to what Stuart Brown said. I find some of the narratives in the review concerning and, again, we were not consulted on that. Moving to a single funding body could be a good thing, if done well and properly. If that makes it easier for students who are moving or transitioning between different models of education, including apprenticeships, colleges and universities, that

could be beneficial. The problem is that, if we change the funding model but do not inject more funding into a chronically underfunded sector, all that we are doing is changing the way in which we are chronically underfunding Scotland's colleges. That will not solve the problem.

We are not inherently opposed to the reforms. Some of the stuff around moving to a single funding body could be good. The stuff around private sector and business influence coming in is very concerning.

The reforms should not happen without injecting more money, because the fundamental problem—the issue that underlies all the challenges that we have spoken about during this evidence session—is that Scotland's colleges have been chronically underfunded for an extended period of time. The only way in which we will fix that problem is by the Scottish Government stopping underfunding them and starting to fund them properly.

The narrative around skills is not inherently bad, but there is concern around how that could lead to a more transactional education model. The idea that you do this course and get this skill, and that is that, worries me. Looking more cohesively at the skills and education that students receive from any method of education—whether that is college, apprenticeship, on-the-job training or university—is a good thing. However, I have concerns around making our education system more transactional and around the influences that certain groups, businesses and organisations might then have that could remove the independence and flexibility of the education system for students.

**Andrew Witty:** Many good points have been made. Collectively, the college sector generally supports the recommendations in Withers. As Derek Smeall said, it is about the detail of how those recommendations are taken forward, but there is potential to involve the colleges at key points to ensure that they work.

In principle, the college sector supports a single funding body, but we need to make a clear distinction that that is not the same as a funding model—they are two different things. The sector also supports taking skills planning back into Government. We see the potential advantages of that.

What it is already starting to do is create a conversation, which I think is healthy, across portfolios in Government about how colleges can help deliver on some of the policy drivers of other parts of Scottish Government that are not directly part of education, such as training certain national health service staff and delivering wins in that portfolio. Utilising colleges as a public asset is very beneficial.

10:45

It is key for the economy that, in certain parts of Scotland, the principal of the college now chairs the local regional economic partnership and I think that that is how good relationships start developing. However, as we said earlier, colleges are about the social side and the community side, as well the economic side. We need to remember that, even if they are successful, not every learner in a college will bring direct economic benefit. It is about a journey that each individual learner takes and there can be benefit for that individual even if they do not bring direct economic benefit. Although the economic side is important, we must not forget those learners in the economic conversation.

I will clarify one last point. Colleges have always engaged with businesses in looking at curriculum development in order to ensure that people who come through a particular course are work ready. For example, a college might get approached by a company that is looking for 1,000 apprenticeships in something. There has always been that engagement with business and it is an important relationship, if we are to ensure that people who come out of college are work ready.

**Sharon Dowe:** John Mooney, do you want to make any comments?

**John Mooney:** I agree with a lot that Stuart Brown and Ellie Gomersall said earlier.

The only real point in my head was that, while we are talking about moving to a single organisation, Unison members are affected on all sides of the proposal; for example, there are concerns at Skills Development Scotland. To be honest, coming from further education, I am not well placed to speak to that, but it is worth signposting that there are concerns from different areas about different sides of the proposal.

**The Convener:** Thank you very much. We are kind of at the end of the session but, in the couple of minutes that we have left, Graham Simpson wants to ask a very specific question.

**Graham Simpson:** My question is about the use of arm's-length foundations. Derek Smeall, you rightly said that colleges are not allowed to keep surpluses. Prior to 2014, they could do so, but then colleges were reclassified as public sector bodies and were therefore not allowed to keep surpluses. As a result, I think that every college set up an arm's-length foundation. Have those foundations been used to any great extent? What is the current position?

**Derek Smeall:** To clarify, I am a little unsure about whether every college did so, but the vast majority of colleges established an ALF at the time of moving under Office for National Statistics

classification. As you said, the concept was that, if a college had a surplus, instead of being able to hold cash reserves, it might be allowed, in discussion with the Scottish Funding Council, to transfer the surplus into an ALF.

To be honest, in the past five to 10 years, I am unaware of many colleges that have made a surplus that is sufficient for them to be able to put a penny into their ALF. However, for some colleges, including mine, as part of a merger and disposal of various assets, certain amounts of money were allowed to be held by the colleges to use in the future, for example, for investment in infrastructure. My college has a modest ALF amount. It is a very mixed picture across the board. Some colleges have ALFs, but there is so little in them that it is not worth speaking about, so, realistically, they do not have any ALFs.

For example, I can speak for my college. You have heard the numbers that I am talking about. Part of our three-year plan is, to all intents and purposes, to exhaust the remaining money in our ALF by the end of year 3. What will we use that money for? We will not use it directly for severance payments, because that is not something that we can do. However, we will exhaust the money in order to support other activities that will allow us to be fair in the way in which we reduce staffing. I reiterate that I do not want to reduce staffing. It is not in my interests or those of my students to do that, but it is something that we have to do.

Utilising that money does not solve anything. All that it does is allow me to manage the process of downsizing in a reasonable fashion over a period of three years. If I did not have access to that money, I might have to accelerate that process and do it within two years. That is just an example. The money has given me operational flexibility for my attempt to be as reasonable and fair as possible to my workforce during that downsizing, although I reiterate that the money cannot be used directly for that.

Each college will have a different constitution and the rules will be slightly different. There are legal implications. In our situation, I will be using the money to assist with the overall cost of operations during those three years.

The Scottish Funding Council it is probably the only body that would be able to tell you directly and exactly how many colleges have ALFs and the amount of money that is within those funds.

**Graham Simpson:** The latest figure that I have for your college, which came from 2021, says that you had £1.7 million in your ALF. At that point, my local college, South Lanarkshire, had £3,000. Last year, that college put an extra £0.5 million into its

ALF, which makes it a bit of an outlier. Is that something that you have heard of?

**Andrew Witty:** When the ALFs were first set up, for the reasons that Derek Smeall outlined, just over £100 million was put in, effectively from the reserves that colleges had at the time. You must remember that ALFs are independent foundations and are not directly connected to colleges, which have to submit a business case and apply for funds.

We do not hold data directly. We last surveyed colleges before the Covid pandemic. If you take into account what was held in the funds and what had already been committed in response to business cases, the fund was down to about half the original amount. Although there may be the odd outlier, such as the example that you gave, the ALFs are reducing because they are being drawn on. I do not have a figure to say what the fund stands at today.

The ALFs were set up with different rules and constitutions. I think that I am right in saying that the vast majority, if not all, of ALF money has to be used for non-recurring spend. I believe that every college set up an ALF but that not every college actually put money into that.

**Graham Simpson:** I am happy to leave it there, convener.

**The Convener:** Thank you very much indeed.

I draw this evidence session to a close. I reflect on the fact that the closing paragraphs of the Auditor General's state bluntly:

"Addressing the challenges facing the college sector cannot be avoided or postponed."

I think that the evidence we have taken today certainly shows that everyone around this table is clear that that is an absolute truism. As I said at the start, when we get to January, we will have the Scottish Government and the Scottish Funding Council before us. That paragraph of the report goes on to make clear that the responsibility lies at their door, so we will do our level best to try to get some answers from them.

I thank you for your evidence, which has been very lucid and forthright and is valuable to us as a Public Audit Committee. Good luck to those who are involved in negotiations this afternoon. You may be travelling in hope, rather than expectation, but hope is a valuable commodity. I thank Ellie Gomersall, Derek Smeall, John Mooney, Andy Witty and Stuart Brown for their time and for the insights that they have given us, and I now move the committee into private session.

10:54

*Meeting continued in private until 11:23.*





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