



OFFICIAL REPORT
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DRAFT

Public Audit Committee

Thursday 28 November 2024

Session 6



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PUBLIC AUDIT COMMITTEE

30th Meeting 2024, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

Jamie Greene (West Scotland) (Con)

COMMITTEE MEMBERS

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

*James Dornan (Glasgow Cathcart) (SNP)

*Graham Simpson (Central Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Martin Boyle (Scottish Funding Council)

Shirley Laing (Scottish Government)

Richard Maconachie (Scottish Funding Council)

Lynne Raeside (Scottish Funding Council)

Neil Rennick (Scottish Government)

CLERK TO THE COMMITTEE

Katrina Venters

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Public Audit Committee

Thursday 28 November 2024

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Richard Leonard): Good morning. I welcome everyone to the 30th meeting in 2024 of the Public Audit Committee. We have received apologies from the deputy convener, Jamie Greene. James Dornan is attending the meeting remotely via videolink.

The first agenda item is a decision on whether to take items 3 and 4 in private. Do members agree to take those items in private?

Members indicated agreement.

“Scotland’s colleges 2024”

09:00

The Convener: Item 2 on our agenda—our principal item this morning—is further consideration of the Auditor General for Scotland’s report “Scotland’s colleges 2024”. I am pleased to welcome our witnesses from the Scottish Government: Neil Rennick, director general for education and justice; and Shirley Laing, director for lifelong learning and skills. I am also pleased to welcome our witnesses from the Scottish Funding Council: Martin Boyle, interim chief executive; Richard Maconachie, director of finance; and Lynne Raeside, deputy director of policy and external affairs.

As usual, the committee has several questions to put to the witnesses this morning, but, before we get to those, I invite Neil Rennick and Martin Boyle to make some opening remarks.

Neil Rennick (Scottish Government): Thank you, convener. I welcome this opportunity to provide evidence on behalf of the Scottish Government in relation to Audit Scotland’s report on Scotland’s colleges. Although the Audit Scotland report describes some challenging circumstances, it also rightly recognises and endorses the high value of the college sector. Scotland’s colleges fulfil invaluable roles at local, regional and national levels in providing opportunities for learners—a disproportionate number of whom are from the least advantaged communities—thereby enhancing skills and facilitating economic growth. We fully recognise the financial challenges that the sector and individual institutions are facing, which are described in the report.

As the SFC noted in its report “Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26”,

“the sector is not homogeneous and there is significant variation in the financial position of individual colleges ... the financial sustainability of the sector remains extremely fluid with assumptions being constantly updated as circumstances change.”

The college sector has always evolved. In fact, a major strength is its responsiveness: its ability to pivot towards emerging skills needs and to enable learners to fulfil their potential. Education Scotland’s report acknowledges this, noting:

“The dedication and adaptability demonstrated across colleges ... have laid a robust foundation for enhancing learner attainment and progression.”

The latest data shows that the college sector is providing learners with a positive experience, with more than nine out of 10 college learners satisfied with their experience. The sector depends on

effective strategic leadership, and I recently met with the college chairs to discuss the challenges that the sector faces and to hear about how institutions are responding to those challenges and how we can work together to encourage colleges to adapt.

As the Audit Scotland report notes, the tripartite alignment group, which brings together Colleges Scotland, the SFC and the Government, is helping to support collaborative working as well as to encourage and facilitate reform. The report also highlights the Scottish Government's role in setting the direction of reform across the post-school education and skills landscape. An appetite for reform exists across the sector. It recognises—as we all recognise—that, although there is much good in the system, there is also a need to adapt to changing circumstances and demands. I am sure that the committee will want to raise those issues in the meeting today.

Martin Boyle (Scottish Funding Council): Good morning, and thank you for the opportunity to give evidence today on Audit Scotland's report "Scotland's colleges 2024".

Colleges play a vital role in Scotland. They provide learners with a high-quality education and they play an important role in reaching those who are furthest from the labour market. They provide a pipeline of skilled workers and they deliver wider economic benefits at a national level. They also deliver world-class skills, as was recognised recently at the WorldSkills UK national finals, where 22 Scottish finalists received medals or commendations. Colleges deliver across the Scottish Government's priorities to eradicate poverty, grow the economy and tackle the climate emergency, among many other priorities.

The sector is very resilient. It has a strong track record of delivering reform and has responded exceptionally well to the Covid-19 pandemic. Colleges are constantly evolving to respond to changing demographics and to the needs of employers and students.

The financial environment in which colleges operate remains challenging. We set out those challenges in our annual report "Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26". We see colleges taking mitigating actions to respond to those challenges. Although securing a sustainable college sector relies on the way that institutions manage themselves and adapt to changing circumstances, the Scottish Government and the Scottish Funding Council can support the sector by helping to create the conditions that enable these vital institutions to thrive.

We need to consider the financial health of the college sector today with a view of the college

sector of the future—whether that is in our funding distribution, our infrastructure plans or how we set outcomes and get assurance from them. We will continue to work together with the sector and the Scottish Government to secure a sustainable college sector that is fit for the future and that continues to deliver for learners, employers and communities.

The Convener: Thank you very much. I can safely say on behalf of the Public Audit Committee that we all want the further education and college sector to succeed. Any criticisms that are contained in the Auditor General's report or any probing that we embark on this morning is not intended to do down the college sector but to see what can be done to make sure that it is performing to the best of its potential.

We will go straight to questions, and I invite Graham Simpson to put some to you.

Graham Simpson (Central Scotland) (Con): Good morning. We run the risk of this meeting being all doom and gloom, but it is not, of course, all doom and gloom in the college sector. Mr Boyle mentioned WorldSkills UK, but he did not mention that New College Lanarkshire won the WorldSkills UK national finals when they were held in Manchester. That is a shining example of how a college in Scotland can beat the rest in the United Kingdom.

If we can start on that bright note—you are itching to get in, Mr Boyle, to explain why you failed to mention that.

Martin Boyle: No, not at all. That was a fantastic result for New College Lanarkshire. It showed its hard work, dedication and so on. I was just trying to be Scotland level in my remarks rather than focused on individuals or showing favouritism.

Graham Simpson: I mention New College Lanarkshire because it is in my region, but I also mention it because it is a college that has been financially up against it—and it is not alone in that. We have asked before in this committee—and I have asked specifically—about particular colleges that were, let us say, in peril. The Scottish Funding Council had a list of such colleges. You know that we have asked about that before and you have probably watched the meetings in which we discussed the quite short list of colleges at particular risk. I would like to explore where we are now with that.

Richard Maconachie (Scottish Funding Council): I will try to answer that question.

First of all, it was good to hear you talk about New College Lanarkshire, Mr Simpson. You will, no doubt, have spoken to the principal and will know that we have been working with that college.

I think that the work that we have done with it has produced some really good outcomes, which you can see coming through now. There is a degree of confidence that the college is on a good path at the moment, but it has challenges, as does the rest of the sector.

You asked more generally about the number of colleges that are “in peril”. As you would expect, the Scottish Funding Council regularly reviews the situation and the financial sustainability of the whole sector. Through a variety of means, we monitor, assess and analyse various returns from colleges, including their annual accounts, at set points of the year. Our outcome agreement managers also meet regularly with the colleges to find out what is going on with their curriculum and other performance measures.

My own team—the finance and sustainability team—regularly meets with them to see what is going on. We currently have four colleges that we are working intensively with, as we would describe it. That is down from the last committee session on the subject, when the Auditor General mentioned that there were six colleges. That shows that the situation is very fluid, and you can see that the interventions that we have made have had an effect in a positive way. It is also a reflection of the fact that time moves on.

Graham Simpson: Thank you for that. Two colleges are now no longer on that list. What have they done, or what have you done with them?

Richard Maconachie: We have helped one of the colleges to look at its costing methodologies and options, with specialist consultancy work.

Graham Simpson: Sorry, I did not hear the first part. Did you mention a particular college?

Richard Maconachie: I did not, but we have already mentioned that college.

Graham Simpson: New College Lanarkshire?

Richard Maconachie: Yes. We worked with the leadership team there to look at the options available to them. Their situation is turning around, and I think the college has a good prognosis, although it will take time and we will have to monitor that over several years. That college is no longer getting the highest level of engagement, but we continue to work with it.

Graham Simpson: That is obviously good news in my region, but other colleges elsewhere are still on that list. Have their positions got worse or better since we last explored the issue?

Richard Maconachie: They are steady. It takes time to put in place, carry through and see the impact of all the interventions that we make. The colleges that you refer to are in a steady state at the moment.

Graham Simpson: The table in appendix 1 of the Auditor General’s report, which contains the operating position and cash balances for 2022-23—I realise that that is not right now—shows that 11 colleges had got worse and only three had got better. If that table were to be produced now, what would the position be?

Richard Maconachie: If we were to produce it for the end of 2023-24?

Graham Simpson: Yes.

Richard Maconachie: I have that information somewhere, if you will give me a minute. *[Interruption.]*

We have not yet finalised the analysis, but the data that I have points to 18 colleges expecting to report adjusted operating deficits for 2023-24, compared to 21 having reported deficits last year.

Graham Simpson: Sorry—18 have deficits?

Richard Maconachie: In total, 18 are expecting to report adjusted operating deficits for 2023-24.

Graham Simpson: Adjusted operating deficits—does that mean the deficits are worse or better?

Richard Maconachie: It means after you take one-off transactions and non-cash adjustments into account.

Graham Simpson: So, are they in a better position or a worse position?

Richard Maconachie: Individual colleges’ positions are tightening.

Graham Simpson: Tightening?

Richard Maconachie: Tightening, yes. They are in an adverse position.

Graham Simpson: Worse?

Richard Maconachie: Yes.

Graham Simpson: Eighteen?

Richard Maconachie: Eighteen.

Graham Simpson: Eighteen are in a worse position than in the previous year?

Richard Maconachie: Their deficits are growing, but the number of colleges is fewer.

Graham Simpson: That is correct. So, 18 are in a worse position. Would you say that the positions of the rest are either better or about the same?

Richard Maconachie: I would say that they are holding steady.

Graham Simpson: They are holding steady. Does that mean that they are the same or better? What are you trying to say here?

Richard Maconachie: I am saying that, with flat cash, it is a tightening position for the sector.

09:15

Graham Simpson: Okay. You are talking in riddles a bit, Mr Maconachie. Please use plain English and assume that we do not necessarily understand the terms that you are using.

Richard Maconachie: Budget allocations are flat cash and costs continue to rise; therefore, either those colleges will have less operating surplus or their deficit will increase.

Graham Simpson: Clearly, the situation is still challenging. I suppose my question for the Scottish Funding Council and the Government is: what are you both doing to make things better?

Neil Rennick: I will hand over to Martin Boyle and colleagues in a second.

Obviously, we keep in close contact with the Funding Council. One of the key developments over the past year has been the establishment of the tripartite alignment group for colleges, which met for the first time in August 2023. The group includes the Scottish Government, the Funding Council and colleges. It enables them to talk about the types of actions and flexibilities that can assist colleges to respond to the challenges that they face, and also to seize the opportunity for transformation and reform in order to respond to those pressures.

If it is okay, I am happy to hand over to the SFC to talk more about the detail of the tripartite group's specific projects.

Martin Boyle: Although we are also doing things, colleges themselves have a role to play in making sure that they return to a position of breaking even or surplus. Their boards and management teams have responsibility for the strategic planning and managing of the business. However, that does not mean that we do not come in and help them.

As has been mentioned, the tripartite group has done a number of things. One of the main things is that we have changed some parts of our funding distribution model. Although that has not changed the quantum of the budget, it has given a lot more flexibility to individual colleges. Colleges are keen to have planning certainty, so it is important that they understand what our funding model changes will deliver.

We try to protect the colleges from volatility by reducing their exposure to funding recovery. Through this approach, more money is staying—

Graham Simpson: What do you mean by “exposure to funding recovery”?

Martin Boyle: This is where it gets technical. If a college does not deliver enough credits, which means that it does not have enough full-time-equivalent students, we recover some of its money.

Graham Simpson: You would take money back.

Martin Boyle: Yes. However, we recognise that colleges have a lot of fixed costs. Even if the students do not go, the costs are still there. There are still costs of trying to recruit; of heating and lighting the building; and of running a class that might not have enough people in it, even though the course may still be vital for the local economy. We try to recognise that colleges have fixed costs, and we have changed the model to reflect that. It has meant that colleges are much less exposed to funding recovery.

We have recognised the fixed costs, and we have increased the price that we pay per credit. That means that there is more investment in teaching individual learners.

Graham Simpson: I am interested in the tripartite group. How is the group itself scrutinised? For example, is the Auditor General sighted on its work?

Neil Rennick: The Auditor General's report mentions the work of the tripartite group. He will speak for himself, but that work is included in the report.

Lynne Raeside (Scottish Funding Council): One of the other actions that the tripartite group is looking at to help the college sector is about asset disposal. We hope that, in early 2025, guidance will go out to colleges that will make it easier for them to dispose of assets and keep the money in the college sector. That piece of work has been done through the tripartite group.

Graham Simpson: I am glad that you mentioned that, because I was going to ask about it later. I may as well do it now.

Based on the current position, if a college disposes of assets—for example, buildings—how much of the money is it allowed to keep?

Richard Maconachie: There is a de minimis amount of £500,000, which it would keep with our approval. Thereafter, it is the minister's decision how that money will be used. All moneys from disposals must be retained within the sector and spent on the sector, but we are trying to encourage colleges and give them more opportunities to be commercial and entrepreneurial, to realise the benefit of their assets for their use.

With the minister's support, we have tried to make it a presumption that the moneys will stay

with the college that is selling the asset, so that it can reinvest them in an approved scheme.

Graham Simpson: Has that new policy been approved yet?

Richard Maconachie: It has been approved, but we are still finalising the guidance.

Graham Simpson: If a college were to sell off something and got £3 million for it today, it would have to—

Richard Maconachie: We discussed that issue at the most recent tripartite group meeting. I suggested that we should work on an assumption that if anything were sold today, we would accelerate the new rules so that we encourage that behaviour and the college in question could be an early adopter.

All the time, we are trying to make sure that the college benefits from its own assets.

Graham Simpson: That will obviously be of great benefit to individual colleges. Are you waiting for somebody to go for it, so that you can then say, “Right, you are first”?

Richard Maconachie: Yes, and we are talking to a couple of colleges about that. We are trying to fine tune certain aspects of the guidance and the rules, but we do not want to deter any colleges that are currently thinking about doing that. We are trying to be as proactive and—to use the word positively—permissive as we can be.

Graham Simpson: Okay. That is really useful.

The Convener: Thank you very much. I will turn to a fairly routine but fundamental question that we ask witnesses: do you accept the findings and recommendations in the Audit Scotland briefing? I ask Neil Rennick to answer first.

Neil Rennick: Yes. As Mr Simpson mentioned, we have to see the report in the wider context of the overall performance of colleges and the many positive developments that there are. However, we do accept them—yes.

The Convener: Mr Boyle, does the Scottish Funding Council accept the findings and recommendations?

Martin Boyle: Absolutely.

The Convener: Reflecting on the answers that you have just given us, do you accept that there is a flat-cash settlement that represents a 17 per cent real-terms cut in funding for Scotland's colleges?

Neil Rennick: In relation to the way that it is presented in the report, that is correct. Between this year and the previous year, the Scottish Funding Council has managed to maintain the

level of funding for teaching within the sector at the same level as in 2023-24.

The Convener: We are going to come on to that point. My understanding is that the range of college courses has contracted as a result of those flat-cash settlements and real-terms cuts.

Mr Rennick, I think that you said in your opening statement that learners at our colleges are disproportionately from the least advantaged communities. Have you carried out any equality impact assessments or economic impact assessments of the reduction in courses?

Neil Rennick: We have information on the proportion of students who are from disadvantaged backgrounds, who have disabilities or who have care experience. Over the medium term, those statistics have been moving in a positive direction, and colleges have a strong record of admitting a diverse range of students.

We know that colleges are adapting the courses that they provide in order to better reflect the needs of the local economy and local employers. That will always involve some change, and it is constantly happening across colleges in what they offer. For example, we are seeing an increase in the number of part-time courses compared to full-time courses, and, in turn, higher satisfaction levels among students on part-time courses, who are happy with the learning that they are getting and find that it fits well with their needs in terms of going into work.

The Convener: I said in the session with the Auditor General that it is important to put on the record that colleges provide an important bridge for people from disadvantaged backgrounds and deprived communities—a bridge into work, a bridge into retraining, a bridge into higher education from further education for some, and a bridge from social isolation. When I speak to people in the colleges sector, they tell me that there are some “perpetual students” who keep enrolling on courses. In part, that performs a certain social function. People who otherwise would be left behind, would be isolated and would be cut off from society find some purpose in life by enrolling on college courses.

Going back to my first question, I am asking whether you have made any assessment of whether the contraction of courses available has or will have unequal impacts on learners.

Neil Rennick: I will defer to the Funding Council.

Martin Boyle: I am happy to say a couple of things about that. We have to remember that colleges are responsible for determining their own course provision. They decide what is needed locally, based on what local employers want and

what demand there is from local students. As Mr Leonard said, they engage with a whole range of people, including MSPs.

College provision also changes regularly; it does not stay the same forever—I am sure that we all know this. On a yearly basis, colleges are looking at whether their offer is still relevant, still up-to-date and still what local employers need and expect. For example, have employers closed down and have new employers arrived? Colleges are always seeking to change, and they will change what they do on a regular basis.

Colleges offer a huge amount of courses, so it is very hard to get into minute detail, but when we look at the interest in courses that have disappeared or have been closed down, our analysis shows that withdrawn courses tend to be ones with very low uptake. They are not popular courses with 30, 50 or 100 people enrolled; they are courses for which there is not great demand. That is happening across the college sector all the time. Courses with lower numbers are being closed down while new things are starting up across colleges to reflect local needs and demands.

The Convener: I suppose that the fundamental question that people have is about the extent to which these changes are educationally, economically or socially driven and the extent to which they are simply financially driven.

Neil Rennick: I expect that it is a combination of all those factors, but we are looking for colleges to provide the learning that students want to undertake and to align their course provision with the needs of the local and regional economy. In terms of widening access in the longer term, the latest student population figures from the SFC in 2022-23 show that, in the 10 years from 2013 to 2023, the proportion of students coming from the poorest economic backgrounds increased, as did the proportion of students who are care experienced. So, there has been progress over the past decade.

Lynne Raeside: To build on something that Martin Boyle said, the latest analysis of courses that have been withdrawn shows that there was less demand or low demand for those courses.

However, our outcome managers will be engaging with that question through our outcomes framework and assurance model, which has just been launched this year to replace our outcome agreements. If there are any emerging themes that show that course provision is changing for reasons that do not reflect demand, we will consider that through a thematic review and we will look at it in more detail. Through the outcome framework, colleges and universities have to meet

certain outcomes, including those around student interests and employer needs.

09:30

Richard Maconachie: I will circle back to one of your earlier comments, convener, about the reduction in funding. You mentioned that the Audit Scotland report identified a reduction of 17 per cent. That reduction includes a large element of demand-led funding—funding for student support. We reduced the budget because it was not being taken up. However, I assure you that the amount of money that we put into teaching funding has remained constant. Indeed, we have increased the credit value for individual learners over that period.

The Convener: I think that there will be some questions later on the funding formula.

I will move us on to another area that is contained in the Auditor General's briefing, which is the job evaluation process for support staff. We have followed up on that with correspondence with College Employers Scotland, Unison and Unite. I should point to my entry in the register of members' interests and my membership of Unite the union. The picture that we get back from College Employers Scotland is that it is committed to the job evaluation process for non-teaching staff and that it is committed to backdating any agreement through the job evaluation process to, I think, 2018.

There are various perspectives on that. The Unison perspective seems to be fairly frank and robust. The response from Unite finishes by saying:

"Unite and our members have lost faith in the project, some members have also lost interest, but other members are frustrated as they are confident that job evaluation would have delivered an increase in pay which they have been waiting for this last 5 years or so."

There is pent-up demand, and there is an outstanding job evaluation process. It seems, at least from reading the replies that we have had from the employers and the trade unions, that there is a willingness to get the issue resolved, but that has financial implications. How is that going to be funded?

Neil Rennick: I should say at the outset that, as you will recognise, the Scottish Government is not directly involved in the job evaluation process. That came out of the negotiations between the college employers and their staff representatives. The Scottish Government is not actively involved in the process.

You have read the letters from College Employers Scotland and the two trade unions, which set out a range of reasons for why it has taken so long to make progress on that work. As you say, there is a commitment to backdate the

outcome of that work to 2018. Following discussion and engagement with the Scottish Funding Council, there is also agreement that the Scottish Government will look at and respond to the financial implications once that work concludes. However, we are not involved in the actual detail of the evaluation process.

The Convener: Does the Scottish Government or the minister not have any responsibility for making sure that the outcome of the job evaluation process is an objective assessment of whether people are being paid correctly? Some people may get paid less as a result of the job evaluation, but there is obviously also an expectation that some people will receive an uprating in their pay to reflect their duties. Does the Scottish Government not take any responsibility at all for that?

Neil Rennick: There is a commitment to respond to that but, clearly, we would not want to pre-empt the outcome of the process. Once that reaches a conclusion, there is a commitment that that will be funded.

The Convener: Mr Boyle, does the Scottish Funding Council have a perspective on that?

Martin Boyle: We agree with the Scottish Government that this is an issue between College Employers Scotland, college employers, the unions and the staff. We would like to see the job evaluation process resolved as well, but, ultimately, we cannot intervene in that space.

The Convener: You may have to intervene in that space if there is a net increase in the budget for staffing that results from the job evaluation process.

Martin Boyle: Yes. As the Scottish Government has said, it is its responsibility to fund that, and it has already given that assurance.

The Convener: Just to be clear about the process, if the job evaluation exercise is concluded and, as a result, there is a net additional staffing cost for non-teaching staff, the Scottish Government will stump up the money to cover it and hand it over to the Scottish Funding Council, which will, in turn, make sure that colleges can pay the non-teaching staff what they are now due—and there will be a backdated element to that.

Neil Rennick: Yes. There is a commitment to look at the outcome, but, as with any public expenditure—

The Convener: Hang on a minute. A commitment to look at the outcome is different from saying that we are going to pay for it or that we will honour it.

Neil Rennick: There is a recognition that the Scottish Government would take on any financial

responsibilities that arise from the process. However, as with any public spending, it must be assessed whether or not the outcome is regular, appropriate and value for money. We would look at that at the time, once we had seen the outcome of the job evaluation exercise and the basis for the spending.

The Convener: Forgive me, Mr Rennick—you have given me two contradictory answers. Either the Government is going to honour the financial implications of an objective job evaluation exercise conducted by the employers and the trade unions and overseen by independent expertise or it is not.

Neil Rennick: We will honour the outcome of the exercise. Obviously, our actions will have to be based on seeing what the outcome of the process is and what the process itself looks like. Shirley, do you have anything to add to that?

Shirley Laing (Scottish Government): No. I think that you have covered it all. Ultimately, the Scottish Government has agreed that the responsibility for meeting the commitment rests with us. However, until we see the outcome of the process, we cannot get into the due processes that Neil has described, which are the normal budgeting and financial processes that we follow.

It is also important that there is as little delay as possible. As you said, the process has been going on for some time, so the commitment will be backdated to 2018, but we also expect the process to be robust and fit for purpose.

We have no specific role in the process itself; it is part of the national bargaining and we need to await the outcome of it. However, the Government has agreed that the responsibility for taking forward that commitment will rest with us once we have seen the outcome.

The Convener: You say that you are willing to fund the commitment, but that willingness is subject to the amount that is entailed in it. It is subject to whether you approve of the methodology of the job evaluation. It seems that you are dipping in and out with the extent to which you are prepared to intervene in the process.

You are saying, “This is not a matter for the Government; it is a matter for the employers and trade unions to sort out.” If the employers and trade unions sort it out, is it not then the responsibility of the Government to step in and say, “You have carried out a job evaluation. These are the results. There will be some losers, as well as some winners—possibly. How do we deal with that? We have a commitment to those employees, those workers, that they will get—”

Shirley Laing: Absolutely. Forgive me if I was not clear enough—that is exactly what I meant. It is just that there are internal budgetary processes

that we will then get into. You are absolutely right. The Scottish Government is not involved in the process but, when we have the outcome, we have committed that it is our responsibility to take that forward.

Graham Simpson: I want to follow up on that. Does the Scottish Government have a budget for that commitment? Is there a bottom line?

Neil Rennick: It is recognised as a pressure and a liability that will emerge in due course, but the actual scale of the cost is not known. Some guidance went out recently from the Scottish Funding Council to individual colleges about how to reflect it in their accounts. People with more expertise than me are ensuring that it is reflected in the Scottish Government accounts, too.

Graham Simpson: If, at the end of the exercise, you are hit with a bill for £10 million, £20 million or £30 million—or whatever it ends up being—at some point, the Government could see the figure and say, “Hang on a minute. We can’t afford that.” You must have thought about that.

Neil Rennick: Yes, there is a recognition of it. It is identified as a future cost that will need to be reflected in the same way as other future costs that we plan for.

Graham Simpson: If the figure is too big, is it possible that the Government will not fully fund it?

Neil Rennick: Nothing changes my personal responsibility as the accountable officer to ensure that we use public funds appropriately. I will provide advice to ministers at that time on how we respond to the outcome of the process.

However, the process could result in some additional costs, and the commitment is that the Scottish Government would support the SFC with funding.

Graham Simpson: But you might not fully fund it?

Neil Rennick: I cannot say, because—

Graham Simpson: Because you do not know the figure?

Neil Rennick: I cannot pre-empt either the outcome of the process or the associated costs. However, we believe that College Employers Scotland and the trade unions are engaging in that process in good faith, and we will respond in the same way.

The Convener: I invite James Dornan to put some questions to the witnesses, which will continue with the theme of staffing and the position of the workforce in the colleges sector and how that has been funded and handled.

James Dornan (Glasgow Cathcart) (SNP): You have already discussed job evaluation in some detail, but I have a question on the impact of staff reductions on course delivery. However, before I get to that, will you tell us what thought was given to how redundancies come about? Can anybody apply and get accepted for redundancy or are there criteria? For example, if there are too many jobs of one type in a certain place, are only X number of staff allowed to get it, and so on?

Neil Rennick: The management of employees and arrangements for redundancy are considered by individual colleges as the employers, and they decide what the scheme arrangements and criteria will be for those who might apply. That varies across institutions, but they need to engage with the Scottish Funding Council to ensure that the processes that they are following are appropriate.

I will hand over to Scottish Funding Council colleagues.

Richard Maconachie: I can add a little to that, though Neil Rennick has stolen much of my thunder. The conditions of any voluntary severance scheme are for the college leadership and for the board of management to determine. The SFC has a function to fulfil to ensure that that is carried out correctly and in line with the Scottish public finance manual and the “Code of Good Governance for Scotland’s Colleges”. Under our financial memorandum, we require that colleges consult us and seek our approval for voluntary severance schemes, which we assess on that basis.

We are also issuing new guidance in—I hope—spring or early summer. That will widen what we require them to tell us about, which will include curriculum impact and effect on learners. However, that is tied up with waiting for the SPFM to be signed off.

James Dornan: I go back to the same question. You said that colleges can make their own decisions. Is there any oversight of that? What if those decisions would clearly be harmful for the college and course delivery and so on? Is it just up to the college, and we then suffer the consequences or get the benefit from that decision?

Richard Maconachie: It is primarily for the board of management to decide on, but—I did not elaborate enough—we will seek assurances that the curriculum and the quality of delivery are not adversely affected under the new guidance.

James Dornan: If you believe that it is not, what happens?

Richard Maconachie: Are you asking what happens if we think that things would be adversely affected?

James Dornan: Yes.

Richard Maconachie: We would intervene in the scheme. The board of management needs our approval to proceed.

James Dornan: Okay. That is what I was trying to get at.

Richard Maconachie: We have not got there yet, Mr Dornan, so—

James Dornan: I know that.

Have you got any update on the impact of staff reductions on course delivery yet?

Richard Maconachie: So far, it has been reported to us that courses that have been removed had low take-up. We are told that reductions, therefore, have not adversely affected the offering. As far as I know, we have not got into compulsory redundancies yet, which is a good thing.

James Dornan: Do we have figures for the split between teaching and support staff who have been offered and/or taken up voluntary severance?

09:45

Richard Maconachie: I do not have them to hand, but we can get them and provide them to you in writing.

James Dornan: That would be very helpful—thanks very much.

I wish to confirm this for the sake of clarity. The Scottish Government has said that it will fund the agreement—if one is made—between the trade unions and employers.

Neil Rennick: That is the commitment that we have made.

James Dornan: Thank you. That is me finished, convener.

The Convener: I invite Colin Beattie to put some questions to you next. There are some themes that we might return to before we conclude.

Colin Beattie (Midlothian North and Musselburgh) (SNP): First, I would like to have a look at the pace of reform, which is not particularly good. What are the reasons for the slow pace of change in reforming the post-school landscape and regional arrangements?

Shirley Laing: Are you asking about the broader reform programme? You have touched on regional stuff, too. Is it more the regional strategic board that you want me to cover?

Colin Beattie: My question relates to the consultation that was completed by the Scottish

Government in September 2024. The pace of getting there has been so slow.

Shirley Laing: Forgive me. There were two consultations, both of which concluded in September 2024. We have consulted on the simplification of the funding body landscape, and we have also consulted on the regionalisation of the strategic board. I am happy to talk about both. Where would you like me to start?

Colin Beattie: Start with the regional aspect.

Shirley Laing: I am happy to do that.

As I said, the consultation closed in September, and we are analysing the responses. You asked about the pace of the reform. We had initial advice from the SFC back in 2020. The pandemic then hit, and it was 2023 before we got more detailed recommendations from the SFC. At that point, we were also publishing the Withers report and the “Purpose and Principles for Post-School Education, Research and Skills” report, so we felt it only right and proper to look to those recommendations and review them in the light of the Withers report. Once that happened, we went out to consultation, which happened this year. That is why there has been quite a long time span in getting to where we are at now.

Colin Beattie: It is actually a bit longer than that.

Shirley Laing: What have I missed?

Colin Beattie: I remember that, back in 2014, shortly after the regions were put together—tacked together, in some cases—there was an immediate undertaking to reform those arrangements. That was probably in 2015-16. To my mind, this has been dragging on since then.

Shirley Laing: I would hope that ministers will be in a position to say something more in this space soon.

Colin Beattie: That is slightly enigmatic, but okay.

Shirley Laing: We are analysing the responses from the consultation; ministers will review things after that.

Colin Beattie: What about the post-school landscape?

Shirley Laing: There are five interconnected streams of work going on. There is work on simplification of the funding body landscape, skills planning, apprenticeships, careers support and qualifications reform. Those are all at slightly different stages of development. You will have seen that three of those five workstreams were covered in the programme for government this year. We consulted on simplification of the post-school funding landscape over the summer; that

consultation closed in September. The PFG commits to a bill on that.

We also have a commitment to lead a national approach to skills planning. The First Minister committed to bring together employers, colleges, universities and other partners to ensure that the system is responsive to the needs of the economy. We are also taking forward our work on improving careers support. In the first instance, that involves working with the career services collaborative to plan the next phase of its work.

Just for completeness, I add that, in the other two areas of apprenticeship reform and qualifications reform, working groups are being set up and are starting to scope what next for and where to go on those areas. As I said, all those things are interconnected and are at slightly different stages.

Colin Beattie: As you say, a number of groups seem to have been established to carry out work. What is expected to be achieved in the short and long term with those groups? It is a wee bit unclear.

Shirley Laing: The point of the process, and of the whole reform programme, which is a transformation programme over a number of years, is to drive the agility and efficiency of the system. It is also about making the system simpler for learners to navigate, access and understand, and about ensuring that we maximise the investment that exists in the system. There are three aspects to it.

Colin Beattie: As I said, it seems to have been going on for many years now. I remember similar discussions going on around this table back in 2015-16, in the immediate aftermath of the initial bringing together of some of the colleges. Yet, here we are, starting the process again, it seems.

Shirley Laing: I can only reflect that the James Withers report came out in 2023, as did our purpose and principles document, and we have worked very hard to take full account of everything that was contained in those to ensure that anything that we look to do in the post-school space docks and interconnects appropriately with the school reform or the education reform work that is under way.

We are talking about lifelong learning—it is a journey—so a huge amount of reform is happening across the landscape. It is important to ensure that the connections are right and that, through everything that we are doing and any changes that we look to make, we are achieving the improvements that we want to see in the system, for the benefit of the learner and, ultimately, for the economy.

Colin Beattie: There are some fairly important points to consider in all this. I am keen to understand whether we have progressed with establishing the roles and responsibilities of the different groups and with the timescales for them to report back, and with enabling the reform to take place, particularly the simplification of the funding body landscape and approaches to skills planning.

Shirley Laing: On the simplification of the funding body landscape, as I said, we consulted on that over the summer. The results of that consultation are now being analysed, with advice going to ministers, and decisions will be made on the back of that. In the PFG, there is a commitment to introduce a bill in this parliamentary session. That is the short-term piece of work and milestone in that policy area.

Colin Beattie: Is the short term a year and a half?

Shirley Laing: Legislation takes time to go through the parliamentary process, but that is certainly the plan.

Colin Beattie: The assumption is that there is legislation to be passed.

Shirley Laing: As was set out in the consultation, elements of the change that is being consulted on would require legislation. Once ministers have considered the responses from that consultation, that will indicate which elements require legislation and which do not. Mr Dey has been very clear that, where legislation is not required, we are keen to move at pace to make the reform happen.

The challenge is the pace and the importance of getting things right for learners who are in the system. We obviously do not want to do anything that would impact on the learning journey of learners in the here and now while looking to reform the system for the future.

Colin Beattie: To come back to the regional aspect, Lanarkshire, Glasgow and the Highlands and Islands—which, in my memory, have always had certain problem-child aspects to them—have been highlighted in particular. This is maybe a more question for the SFC, but how closely is the success or failure of those regional bodies being monitored?

Richard Maconachie: I will let Martin Boyle speak first, and I can add to it.

Martin Boyle: No, you go.

Richard Maconachie: I would say that they are being monitored very closely, which is why we have made the recommendations that we did to the Scottish Government. We are working with the current regional strategic boards, particularly the

University of the Highlands and Islands, on an on-going basis, as they think about the future of the regional provision.

Colin Beattie: I come back to what I was saying previously—unfortunately, I have a long memory on this. In 2015-16, there were immediate issues with certain colleges. My guess is that those problems are still continuing. The question is, since those problems have been going on for so long—we are 10 years on—what confidence do we have now that they will all be addressed?

Neil Rennick: I suspect that the honest answer is that there will always have to be change and revision in the delivery of skills and education as the needs of Scotland and regions change. Part of that is about ensuring that we have the right arrangements for the courses that are available. The minister, Mr Dey, has been encouraging colleges to engage with employers on that, to ensure that they make the right offer. Part of it is also about having in place the right governance and leadership arrangements. That was specifically reflected in relation to those two regions in the consultation earlier this year.

Colin Beattie: That seems very familiar to me from 2015-16—we were talking about governance issues back then and about how the regional arrangements would be reformed to ensure that all this was strengthened. However, we do not seem to have got there yet.

Neil Rennick: Overall, I think that there are really positive developments across the college sector. The report that Education Scotland, through the interim chief inspector, published earlier this year presented a very balanced picture of significant reform and improvement and good leadership in some areas, and the need for reform in others. I suspect that it will always be the case that there is variability across the college sector and that there will be different needs at different times. As the Scottish Funding Council said previously, the circumstances can be fluid and will change between different institutions and contexts.

Colin Beattie: I will watch this initiative with interest.

I will touch on one other thing, which is probably for the SFC again. We do not hear much about them nowadays, but, back in 2014, arm's-length foundations held funds of £90-odd million, and I think that the figure is projected to be about £9 million this year. To what extent do you monitor them and the money that goes in and out?

I realise that they are separate entities but, nevertheless, they are there for a single purpose, which is to support the colleges. Initially, the large amount of money that held by them was intended for capital projects that had not yet been drawn down. There is still £9 million in them, which is not

an insignificant sum, and not all the colleges have the benefit of it. How do you monitor the good use of that money—how the money is coming into the college and being utilised?

Richard Maconachie: You have covered a lot of what I would have told you. The main thing that you quite rightly point out is that they are charitable organisations and we do not have any regulatory overview of them. They are governed by the Office of the Scottish Charity Regulator and by Companies House. Nevertheless, a significant amount of money went into them from the public purse, so we have maintained an overview of them and looked at how the moneys are being used. We do that more as an interested stakeholder than as a regulator.

We have looked at what the moneys are being spent on—the majority of it is being spent on estates. We have no control over what the remaining £9 million will be used on, but we will continue to monitor it to make sure that we think that it is being used appropriately.

Colin Beattie: Thank you.

The Convener: I have a couple of final questions, one of which arises from the reviews that took place and reported around the institutional landscape and the future of organisations such as Skills Development Scotland, including who has oversight of apprenticeship funding. My reading is that the oversight and budgetary responsibility for apprenticeship funding is likely to shift from Skills Development Scotland to the Scottish Funding Council. If that happens, what guarantee is there that the money will continue to be applied to the provision of apprenticeship training, rather than to plugging the financial deficit that we spent the early part of the meeting talking about?

10:00

Neil Rennick: I will say two things. Obviously, I do not want to pre-empt decisions that ministers will take and announce on the outcome of the consultation that took place on the reforms to the funding landscape. I do not want to presume what the outcome of that will be. The consultation set out a number of options for how that might be organised, and ministers will confirm to Parliament the outcome of that.

At the same time, ministers, including Mr Dey, have expressed clearly their commitment to apprenticeships and the importance of apprenticeships. I have not heard anything from ministers to suggest that they would not want to continue prioritising the real value that apprenticeships deliver or the range of ways in which apprenticeships are funded and delivered. Part of what Withers recommended was greater

coherence in how we provide those to ensure effective delivery.

The proportion of people aged over 25 who undertake apprenticeships is strong. It is crucial to ensure that we are adding to people's skills and bringing people back into the workforce if they are not in it, and my expectation is that that will continue to be a priority.

Shirley, do you want to add anything?

Shirley Laing: I touched on the five strands of the reform work, and apprenticeships is a key one. We are looking at what a future model for apprenticeship delivery may look like. I talked about the interconnections, and one of the key ones is where ministers will ultimately decide they want things to sit as part of that simplification.

We are already taking forward work in the apprenticeship reform space. A graduate apprenticeship enhancement group has been established, and we are looking at foundation apprenticeships. We are engaging with training providers to understand the flow of funding for modern apprenticeships to get a better understanding of where things sit and what a future model that includes the role of colleges, independent training providers and employers may look like.

A lot of work is happening in that space and, as Neil Rennick has indicated, that work will continue to be a key part of the agenda. It links closely to one of the other strands, which is skills, because we need to ensure that young people and those who are reskilling are getting what they need when they need it.

The Convener: Are you saying to me this morning that there is still a possibility that the apprenticeship funding could sit in the hands of Skills Development Scotland?

Shirley Laing: No decision has been made by ministers yet on the basis of the consultation that took place over the summer. The consultation has been analysed, but we cannot pre-empt where ministers will ultimately decide they want to go.

The Convener: So the answer to my question is yes; it could conceivably stay with Skills Development Scotland.

Shirley Laing: Yes.

The Convener: Thank you.

You made an interesting point earlier when you said that, in the context of the programme for government, the Government and the First Minister want a

“national approach to skills planning”.

Shirley Laing: Yes.

The Convener: Many people have been calling for that for a long time. How do you achieve that when, as we were told earlier in the evidence session, individual colleges work with their regional economies and local employers? How do you get a national strategic approach to skills planning that takes a longer-term view about the direction that the economy is going in and the skills of the future that we will need that might be different or adapted from the skill sets that we are training people for at the moment? How do you reconcile the local and the national?

Shirley Laing: That is a pertinent question and one that we are grappling with and taking forward. You are absolutely right that the Scottish Government has committed to taking responsibility for skills planning at the national level while strengthening regional approaches. Parallel pieces of work on that are under way. In my area, we have set up a team and a policy unit that are working internally and externally to get a sense of the key skills priorities at the national level to inform our approach at that level.

At the same time, we are working with regional economic partnerships to look at regional skills planning, so it is a two-way street. That will inform not only the national process but what that means at the regional level and where colleges link into it. We are actively encouraging colleges—the minister has been actively doing this, too—to ensure that, if they do not do it already, as part of their local offering, they link in and engage with local employers so that they understand the skills needs of the community and the region within which they sit. It is all interconnected.

Graham Simpson: My question follows on from that. I am interested in how much flexibility individual colleges have in delivering for the skills in their areas. It is important that, through speaking to employers, colleges can identify what skills are required now and what skills will be needed in the future, so that they can develop courses that are appropriate to those regional needs. The situation in Lanarkshire, for instance, is different from the situation in the Highlands, so you would expect colleges in Lanarkshire to deliver different courses from those in the Highlands. How much flexibility do individual colleges have to do that?

Neil Rennick: Colleges rightly have a lot of flexibility in deciding on the courses that they provide and what is needed locally, and engaging with local employers. You make a crucial point, in that it is about not just what the skills needs are now but what they will be in the future. Although colleges are incredibly flexible, it takes time to recruit staff and to put in place the necessary infrastructure to deliver different types of courses. That is why it is important to have a dialogue

about not just the current needs but the future needs.

Martin Boyle: You are right that it is up to colleges to engage locally about their course provision. They should be—never mind “should be”, they are—talking to employers about future skills needs, what they might need and how they can develop and change their courses. Universities are doing the same thing. Colleges are certainly thinking about what their on-going offering might be.

Coming out of our review in 2021, we have done some work over the past couple of years on pathfinder projects to examine how we can better ensure that colleges and all the players in a local area work together. Those reports will come out early next year. We have had to work on that and work with the colleges. It has been about what information, data and other evidence colleges or universities could get in that local space to be able to understand what is coming down the road in future.

Part of that work has been about how to link up employers, local authorities, chambers of commerce and all the employer representative groups to ensure that the offerings from colleges and universities and all the linkages between the two work as optimally as possible. We will take the lessons from the two pathfinders—there was one in the north-east of Scotland and one in the south of Scotland—and see how we can apply that learning across the rest of Scotland, remembering that everyone is different, so everyone will take different things from it.

Graham Simpson: Lynne Raeside, I thought that you were itching to get in at one point.

Lynne Raeside: No, but I will add to what has just been said.

We talked about the good news in the college sector. There are excellent examples of colleges working closely with employers. For example, North East Scotland College is working closely with the energy sector as part of the just transition project, and Ayrshire College is working closely with local employers.

Through the pathfinders that Martin Boyle mentioned, we supported seven pilot projects. Alongside the general findings from the pathfinders, the real practical examples from those pilot projects will be published at the beginning of 2025. Other college regions will be able to use those to show how the findings have been put into practice.

Graham Simpson: I will throw this question out: should colleges be able to offer degrees?

Neil Rennick: Colleges provide higher education as part of their offer. One college has recently provided a degree.

My wider perspective—this is more personal than from ministers—is that we gain a great advantage from having colleges that are distinctive from universities. They provide people with a different high-quality education offer, including to higher education level, and good examples of innovation. Last week, I was at the College Development Network college awards, which was fantastic and one of the most uplifting events that I have been at. There were some really good examples of innovation in not only training and education but support for students, particularly students from more disadvantaged backgrounds.

The one qualification is that I want to ensure that we continue to value colleges for what they do, separately from universities. That is just a personal perspective. Martin Boyle might have a view as well.

Martin Boyle: It is a good question, but it starts to get into personal opinions. However, Neil Rennick is right that we need to value the colleges for what they are. We have talked about the amazing things that colleges deliver, from educating people with no qualifications all the way up to providing higher education qualifications that get people really good jobs, get them into university and push their lives forward. We should value the colleges for what they do.

We just mentioned the pathfinder work that we have done. That is about colleges, universities and employers all working together in one space. It is not just about one or the other. It is about them all being in the same space and making sure that the delivery is right for local employers.

Graham Simpson: Does it not come back to flexibility? You could have a really ambitious college that is doing something fantastic and thinks that it could offer a degree course but currently is not able to. It would have to offer that in conjunction with a local university. Maybe that is right or maybe it is not. I am just putting out the question to see whether any thought has been given to it.

Lynne Raeside: I echo what Neil Rennick and Martin Boyle said about the valuable role that colleges and universities play independently. However, closer collaboration between colleges and universities is happening, and that is valuable. There are important articulation pathways between them, and a lot of colleges and universities work closely together. For example, someone might start in college, do a higher national certificate or higher national diploma and move into second or third year at university. There are lots of pathways whereby colleges and universities can come

together for a more joined-up learner journey and collaborate on course provision. We are keen to see more of that in the future.

Neil Rennick: I was going to make the same point, but I would also say that it is not just about people who move from college into university. There are good examples of people who are undertaking HNCs or other qualifications within colleges also, as part of that, gaining the benefit of doing courses at local universities, even if they do not intend to move on to a degree. Having that variability is helpful for meeting learners' needs, which is what colleges are ultimately about.

Graham Simpson: I go back to regionalisation, in particular in Glasgow and Lanarkshire. From listening to Graeme Dey previously on the matter, I think that he has decided that the current arrangement should end. Are we just waiting for him to make a statement on what happens next?

Shirley Laing: As I said, we have consulted on the issue and the responses are being analysed. The matter is with ministers for decision, so no decision has yet been made.

Graham Simpson: No decision has been made.

Neil Rennick: Obviously, views were expressed as part of the consultation with different perspectives on what might be done. We are rightly looking at those before ministers take a final decision.

Graham Simpson: When will Graeme Dey take a decision on the matter?

Shirley Laing: I hope that it will be fairly soon, but that is a question for the minister rather than me.

Graham Simpson: You said, "fairly soon". Do you mean by the end of the year?

Shirley Laing: I cannot comment on exact timescales.

The Convener: I think that you will need to take that up with the Minister for Higher and Further Education, Graham.

I thank our witnesses very much indeed for the evidence that they have given us. It is much appreciated. I thank Richard Maconachie, Lynne Raeside and Martin Boyle from the Scottish Funding Council for their contributions. I also thank Neil Rennick and Shirley Laing from the Scottish Government for their input. There were one or two items to follow up, such as the split between non-teaching staff and teaching staff redundancies, but we will do that.

I now move the committee into private.

10:15

Meeting continued in private until 10:33.

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