

# Public Audit Committee

## 1st Meeting, 2024 (Session 6), Thursday, 11 January 2024

### Scotland's colleges 2023

#### Introduction

1. At its meeting today, the Public Audit Committee will take evidence from the Scottish Government and the Scottish Funding Council (SFC) on the Auditor General for Scotland's (AGS) briefing, [Scotland's Colleges 2023](#), which was published on 7 September 2023. A copy of the briefing can be found in **Annexe A**.
2. The Committee previously heard evidence from the AGS on his briefing on [26 October 2023](#). The Committee then took evidence from relevant stakeholders in a roundtable session on [30 November 2023](#).
3. The SFC has provided a written submission to help inform the evidence session today, which can be found in **Annexe B**. The Educational Institute of Scotland has also provided a written submission correcting evidence it provided at the meeting on 30 November and can be found in **Annexe C**. Colleges Scotland has also provided a written submission providing its views on the Scottish Government's Draft Budget 2024/25 for the colleges sector, which can be found in **Annexe D**.

#### Next Steps

4. The Public Audit Committee will decide any further action it wishes to take following the evidence session today.

**Clerks to the Committee**  
**8 January 2024**

# Scotland's colleges 2023

A briefing paper



AUDITOR GENERAL 

Prepared by Audit Scotland  
September 2023



# Key messages

- 1** Scotland's colleges are vital to learners and local communities. Risks to the college sector's financial sustainability have increased since we reported in 2022. Rising staffing costs are colleges' biggest financial pressure.
- 2** The Scottish Government's funding for the sector has reduced by 8.5 per cent in real terms between 2021/22 and 2023/24, while the sector's costs have increased. Effective, affordable workforce planning is now a greater than ever priority and challenge for colleges.
- 3** Significant changes to how the college sector operates have been recommended by recent reviews. However, the Scottish Government and the Scottish Funding Council urgently need to build on their ongoing work to help colleges plan for change now, and make best use of available funding so that they are sustainable for the future.

## Accessibility

You can find out more and read this report using assistive technology on our [website](#).

For information on our accessibility principles, please visit: [www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility).

# Scotland's colleges have a vital role

## Colleges provide valuable learning and facilities, support economic growth and help people achieve wider outcomes

1. Scotland's colleges offer academic and vocational courses to develop people's skills and knowledge for work, continued study or general interest. Students can choose to study full-time, day release, evenings, block release or on an open learning basis. The courses that college students undertake contribute not only to their own development but also to Scotland's sustainable economic growth. Colleges are valuable hubs whose facilities may also be used for local community purposes, including as meeting spaces and sports venues.

## There are different types of colleges

2. Of the 24 colleges in Scotland, 22 sit in college regions that have one or more colleges. Nineteen colleges are classed as 'incorporated' and are public bodies that are subject to audit by the Auditor General for Scotland (AGS). As public bodies, incorporated colleges are not permitted to retain reserves at the end of their financial year. The five unincorporated colleges (**shown in bold in Exhibit 1 (page 4)**) are not audited by the AGS and have a range of constitutional arrangements. Two establishments are outside colleges' regional arrangements. **Sabhal Mòr Ostaig** offers further and higher education opportunities through the medium of Scottish Gaelic. **Newbattle Abbey College** is an unincorporated residential college that caters largely for students returning to education in adulthood. In addition, **Scotland's Rural College** is a higher education institution that contributes to the national target for colleges.

3. On 1 August 2023, UHI North Highland and UHI Lews Castle, both of which were incorporated, merged with each other and with UHI West Highland, which was previously unincorporated. The new, merged college is known as UHI North, West and Hebrides. It is expected to be assigned to the University of the Highlands and Islands (UHI) and incorporated. This merger is designed to create an institution of scale which will improve sustainability and create benefits for students, staff and stakeholders across a wide region of Scotland.

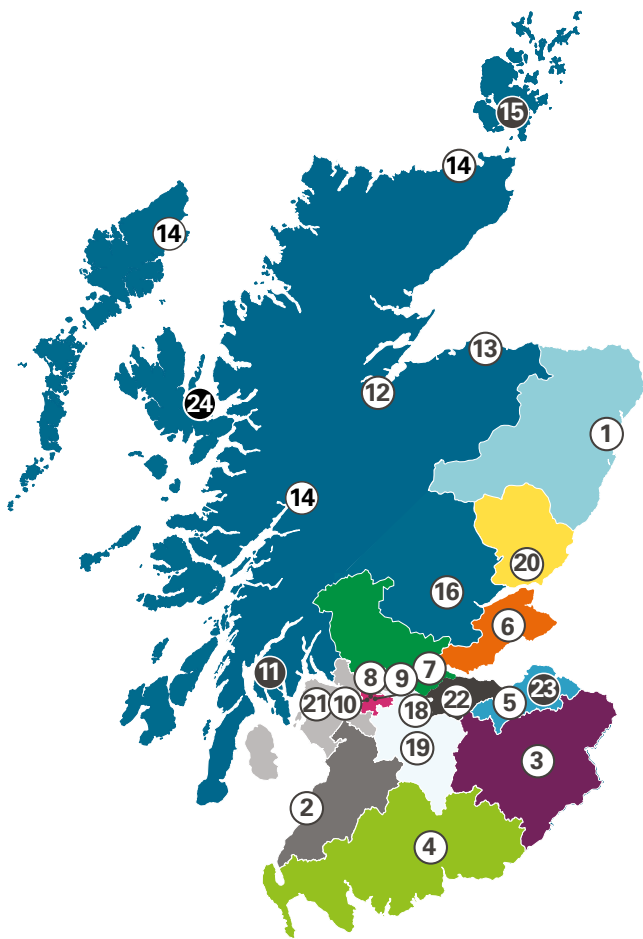
4. This briefing paper draws on our analysis of auditors' annual audit reports (AARs) about incorporated colleges.

# Exhibit 1.

## Scotland's colleges as at 1 August 2023

The colleges not listed in bold are subject to audit by the Auditor General.

- College – incorporated, audited by AGS
- **College – unincorporated, not audited by AGS**



Region	College
Aberdeen and Aberdeenshire	1 North East Scotland College
Ayrshire	2 Ayrshire College
Borders	3 Borders College
Dumfries and Galloway	4 Dumfries & Galloway College
Edinburgh and Lothians	5 Edinburgh College
Fife	6 Fife College
Central	7 Forth Valley College
Glasgow	8 City of Glasgow College
	9 Glasgow Clyde College
	10 Glasgow Kelvin College
Highlands and Islands	<b>11 UHI Argyll</b>
	12 UHI Inverness
	13 UHI Moray
	14 UHI North, West and Hebrides
	<b>15 UHI Orkney</b>
	16 UHI Perth
	<b>17 UHI Shetland</b>
Lanarkshire	18 New College Lanarkshire
	19 South Lanarkshire College
Tayside	20 Dundee and Angus College
West	21 West College Scotland
West Lothian	22 West Lothian College
n/a	<b>23 Newbattle Abbey College</b>
n/a	<b>24 Sabhal Mòr Ostaig</b>

Source: Audit Scotland

## The Scottish Government has a central role in setting policy and funding the college sector

**5.** The Scottish Government sets national policies for learning and provides over three quarters of the college sector's funding, through its financing of the Scottish Funding Council (SFC). It does this in financial years (FY) that run from April to March.

**6.** The SFC works with colleges to set thresholds for the amount of course provision that colleges should deliver and provides the funding to each college, or regional strategic body in multi-college regions. It does this to fit with the college sector's academic year (AY) from August to July. A regional strategic body allocates funding to the colleges within its area. The SFC holds colleges and regions to account for what they deliver through Outcome Agreements. These set out what colleges plan to deliver in return for their funding from the SFC. Its Outcome Agreement Managers work with each college to develop their individual Outcome Agreement.

# Risks to the college sector's financial sustainability have increased

## In 2022, we reported that change was needed to ensure the sector's financial sustainability in the long term

**7. [Scotland's colleges 2022](#)** drew on colleges' accounts for AY 2020-21 and concluded that it will be difficult for colleges to balance delivering high-quality learning at the volume expected while contributing to other Scottish Government priorities. We said change was needed to ensure more students are successful; and also that the Scottish Government and the SFC should support colleges to plan for change now to make best use of available funding and ensure the sector is financially sustainable in the long term.

## Risks to the sector's financial sustainability have increased since then

**8.** Auditors' AARs on incorporated colleges for AY 2021-22 highlighted sustained risks to colleges' financial sustainability, and an increased level of risk in most of them.

**9.** The SFC requires a college to report its adjusted operating position (AOP), to reflect its underlying operating performance after allowing for material one-off or distorting matters outside its control. This helps to assess a college's underlying financial strength and to provide figures which are readily comparable among colleges.

**10.** The sector reported an adjusted operating surplus of around £8 million in AY 2021-22. The SFC has not yet concluded its assessment of the sector's finances for AY 2021-22. While early analysis indicates that the sector's adjusted operating surplus is slightly better than forecast, the surplus for AY 2021-22 is likely to be considerably less than its surplus of £19.3 million for the previous year.

**11.** The anticipated reduction in the surplus is partly due to increases in staff costs, reflecting the impact of the sector's pay award in AY 2021-22 and some additional recruitment as well as rising inflation, fuel costs and other pressures. Other operating costs increased by around £10 million (six per cent) on AY 2020-21 levels. The return to campus activity – following



the impact of the Covid-19 pandemic – saw an increase in teaching, teaching support and administration costs plus increased catering, student residence and utilities costs. More colleges reported an adjusted operating deficit in AY 2021-22 than in AY 2020-21.

## Rising staffing costs are colleges' biggest financial pressure

**12.** Staff costs accounted for more than two thirds (around 70 per cent) of the sector's expenditure in AY 2021-22. Changes to their staffing are one of the main levers for colleges to manage their costs. Staff pay awards remain a pressure on college finances. Trade unions are continuing to pursue their pay claim for AY 2022-23. Employers' pension contribution costs are increasing. The outcome of a job evaluation exercise for support staff will also increase staff costs when completed.

**13.** Colleges have already sought voluntary redundancies to reduce their staff costs. While final figures for the sector are not yet available, we know that many colleges have spent money on staff restructuring costs – that mainly involve voluntary redundancies – to help save money in the longer term. The SFC reported that there were no compulsory redundancies during AY 2021-22. Some colleges anticipate the need for further, significant staffing reductions which could severely erode their ability to deliver a viable curriculum.

**14.** Glasgow Kelvin College has indicated that it may need to reduce its workforce by 21 per cent from AY 2022-23 to AY 2024-25. Ayrshire College, in preparing its 2022 financial forecast, also calculated a set of financial projections using an alternative, more pessimistic planning scenario (compared to the planning assumptions provided by the SFC). This scenario found the college may need to lose 70 per cent of its staff over a five-year period – a scenario in which it could no longer function.

**15.** All colleges provided updated financial forecasts to the SFC at the end of June 2023 along with additional planning scenarios that they considered appropriate for their operating environment and circumstances. The updated forecasts and additional planning scenarios supersede the 2022 equivalents. These are currently being reviewed by the SFC.

**16.** The strategic workforce pressures facing the college sector are more challenging than before, as colleges seek to reduce their costs. Some colleges have said that they are considering implementing compulsory redundancies. In June 2023, the Minister for Higher and Further Education and Minister for Veterans [informed](#) the Scottish Parliament's Education, Children and Young People Committee that he had written to all college principals to '[reiterate the importance the Scottish Government places on the use of fair work practices in the college sector ... My officials are engaging with the SFC to build a picture of the scale of redundancies facing the sector and whether there is any impact on provision.](#)' In July 2023, the Minister [wrote](#) to the Committee, indicating that colleges should only seek compulsory redundancies as a last resort and should notify the SFC of such intentions.



## Colleges also have other pressures

**17.** Without investing in maintenance, colleges risk their estate becoming a worsening environment for learning. [Scotland's colleges 2022](#) noted that capital funding for the college sector was £321 million short of requirements for lifecycle and backlog maintenance, and that capital funding from the Scottish Government, administered through the SFC, had consistently fallen short of the level colleges have needed.

**18.** The SFC developed the [College infrastructure strategy](#) for 2023-33 in consultation with the sector and it recognises the urgent need for significant investment in the college estate. The Scottish Government increased the sector's capital funding from £74.7 million in FY 2022/23 to £82.4 million in FY 2023/24. After taking account of inflation, this represented an increase of 7.6 per cent in real terms. Recognising the increasing number of urgent calls for assistance on repairs/works of a health and safety or business continuity nature, the SFC set aside £4.7 million in AY 2023-24 to support the sector. The SFC received expressions of interest to a value of approximately £20 million and is currently triaging these to a shortlist to fit the budget. Emerging issues around Reinforced Autoclaved Aerated Concrete will only add to this pressure.

**19.** Numerous colleges have highlighted impacts from the Covid-19 pandemic on their financial position and sustainability. These include reductions in their non-SFC income sources in AY 2021-22 due to pandemic-related restrictions, such as constraints on pursuing commercial opportunities. Other risks are summarised in [Exhibit 2](#).

## Exhibit 2.

### Significant areas of risk for colleges

This is a cross-section of the numerous risks affecting colleges.

- Inflation, interest rates and energy costs.
- The investment required to achieve public sector net zero targets, especially in relation to the college estate.
- Investment required to invest in digital.
- Difficulties in attracting and retaining students and staff.
- The requirement for colleges to self-fund staff restructuring and voluntary severance package costs.
- Competition from private sector training providers.
- Competition from some universities.
- The challenges of raising income from non-teaching activities.
- The impact of cost efficiencies on staff wellbeing and the student experience.



# Colleges rely heavily on Scottish Government funding

**20.** The Scottish Government's budget works in financial years (FY) that run from April to March, such as April 2022 to March 2023. The Scottish Government has budgeted revenue funding for the college sector comprising £675.7 million in each of 2021/22, 2022/23 and 2023/24. After taking account of inflation, this represents a reduction in real terms of 8.5 per cent from 2021/22 to 2023/24.

**21.** The SFC uses the Scottish Government's funding to provide grants to colleges within their academic year (AY) that runs from August to July. This means that a college year spans two years of the Scottish Government's budget. For example, the college sector's AY 2022-23 year spanned the Scottish Government's financial years FY 2022/23 and FY 2023/24. The SFC has set a college revenue budget for AY 2022-23 of £675.3 million, a reduction of £36.5 million (5.1 per cent) from AY 2021-22.

**22.** Grant funding provided via the SFC accounted for around three quarters of the college sector's total income in AY 2021-22. One college relied on the SFC for less than half its income (Sabhal Mor Ostaig). All other colleges relied on the SFC for more than half their income, including seven that obtained over three quarters of their income from the SFC. Colleges' main source of non-SFC income was tuition fees and education contract income, with other income-generating activities, including catering, making up the bulk of the balance.

# Significant changes lie ahead

## The Scottish Government recognises that changes are needed

**23.** Several national reviews have recently recommended major changes that would affect the college sector, and these sit alongside other significant developments ([Exhibit 3](#)). They all bring both challenges and opportunities for the Scottish Government. There are questions about what can realistically be achieved in the short term and what may require a longer timescale, possibly involving new legislation.

## Exhibit 3. Recent major developments affecting the college sector These bring challenges and opportunities.



**29 June  
2021**

The SFC's [review of tertiary education and research](#) included a recommendation to the Scottish Government that there should be more flexibility in how colleges are funded.



**7 June  
2023**

The Withers [review of the post-school learning system](#) urged the Scottish Government to think creatively about how to secure the sustainability of the post-school skills delivery system. It included a recommendation that the Scottish Government should redesign the process for how funding of all learning and training provision, including apprenticeships, is allocated to ensure it is prioritised to deliver strategic outcomes and best value for public investment. It also recommended the establishment of a single funding body and parity of esteem between colleges and universities.



**22 June  
2023**

The Hayward [review of qualifications and assessment](#) will have implications for the qualifications that colleges consider when selecting students and employees, and for the courses that colleges provide.



**28 June  
2023**

The Scottish Government's [Purpose and Principles for post-school education, research and skills](#) includes a target outcome that the system is 'financially and environmentally resilient; trusted to deliver, and subject to effective governance'. The programme of reform, signalled through the Scottish Government's [Initial priorities for implementation](#) and the Purpose and Principles, outlines the key actions that the Scottish Government will be taking forward to deliver on the vision and outcomes it has set for the system.

**24.** In May 2023, the Scottish Parliament's Education, Children and Young People (ECYP) Committee **concluded** that 'If additional funding is unavailable, and flexibility within current funding arrangements is also not forthcoming, then the Scottish Government and the Scottish Funding Council need to provide colleges with a clear steer on what they should be prioritising.'

**25.** In June 2023, the Scottish Government took some initial steps in response to these developments:

- It **advised** the Scottish Parliament's ECYP Committee that it had 'heard loud and clear the calls for reform and won't shy away from decisions which will deliver better services for learners and employers and simplify the operating environment for our colleges, universities and training providers.'
- It **advised** the ECYP Committee that it is considering ways to give colleges more financial flexibility. It also **asked** the SFC to play an active role in helping colleges to use their funding allocations more flexibly; and to intervene in the sector where necessary.
- It **announced** that it plans to take over national responsibility for skills planning, and that there will be a new national model of public funding for all colleges, universities, apprenticeships and training.

**26.** The SFC has introduced a new funding distribution model and associated guidance for AY 2023-24. This is to provide colleges with enhanced flexibility and greater opportunity to decide how best to respond to local, regional and national needs. The Scottish Government is exploring the potential for further changes in colleges' funding arrangements.

## **The Scottish Government and the SFC urgently need to build on their ongoing work with colleges and help them become sustainable now, while structural arrangements at a national level evolve**

**27.** Overall, 25.5 per cent of school leavers went into further education at college in AY 2021-22, compared to 35.6 per cent from the most deprived areas (Scottish Government **statistics**, February 2023). These figures exclude school leavers undertaking a higher education course in a college. Colleges therefore play a vital role in providing people, particularly those from more disadvantaged areas, with the training, qualifications and life-skills that can help them to succeed in life and make a valuable contribution to society. More widely, colleges also contribute to achieving the Scottish Government's three national 'missions':

### **The Scottish Government's three missions**

- 1 Equality:** tackling poverty and protecting people from harm.
- 2 Opportunity:** a fair, green and growing economy.
- 3 Community:** prioritising our public services.

**28.** A significant reduction in a college's range of courses, student capacity, or its closure altogether could have an unequal impact on students from more deprived areas, plus ramifications for the wider community. In many rural, remote and island communities, there is no alternative college nearby.

**29.** Policy and structural changes by the Scottish Government have the potential to improve colleges' operating environment but colleges face daunting challenges now to their business models and finances. For example, colleges need to maintain and, if possible, enhance the learning they provide and improve outcomes for their students. At the same time, they are managing complex change across the college sector and considerable strain on their finances.

**30.** Addressing the challenges facing the college sector cannot be avoided or postponed. While recognising the role of college leadership teams in managing their finances, it is also critical for the Scottish Government to work with the SFC during AY 2023-24 to support colleges in planning for change now and making best use of available funding. This should help to secure colleges' future while the Scottish Government considers its response to the reviews featured in [Exhibit 3 \(page 10\)](#), and the funding it allocates to the sector.

## Next steps

**31.** We report annually on the audits of Scotland's incorporated colleges. We will continue to monitor and report on developments across the sector as their impacts become clearer.

# Scotland's colleges 2023

A briefing paper



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

ISBN 978 1 915839 20 6 AGS/2023/6

## Public Audit Committee: Scotland's Colleges 2023

13 December 2023

### Introduction

1. Scotland's colleges are fundamental to social, economic, and environmental wellbeing and prosperity. They are anchor institutions in their regional economies, creating a pipeline of skilled and educated people, responding to employers' needs, and providing opportunities for those furthest from the labour market. They help shape local places and communities through the jobs and opportunities they offer, and they act as a lifeline for individuals, tackling inequality through widening participation in tertiary education and by engaging in partnerships with the senior phase in secondary schools.
2. We welcome Audit Scotland's briefing 'Scotland's Colleges 2023' and the Public Audit Committee's scrutiny of its findings.

### About SFC

3. The Scottish Funding Council (SFC) is the national, strategic body that invests around £2 billion in tertiary education, research, and knowledge exchange, through colleges and universities. Our ambition is to make Scotland an outstanding place to learn, educate, research, and innovate – now and for the future. In pursuit of our ambition, we invest in tertiary learning and teaching; skills and apprenticeships; student support and participation; discovery research; innovation and knowledge exchange; data collection and dissemination; national quality assurance and enhancement processes; campus estates; essential digital infrastructure and collective procurement for the sector; and strategic change, and responsive provision and research priorities.
4. SFC is responsible for the effective and efficient distribution of around £2bn of public money, annually. We deliver on our distinct statutory remit efficiently, with a very small staff base and modest operating costs. We invest in 24 colleges and 19 universities that educate and upskill Scotland's population. Colleges employ over 11,000 FTE staff, and they provide over 236,000 students with the opportunity to study further and higher education, providing a lifeline for social mobility and a pipeline of skilled graduates. They also make a significant contribution to the economy. According to the Fraser of Allander Institute<sup>1</sup>, Scottish Government investment of £740 million in 2021-22 is projected to lead to an £8 billion boost to the Scottish economy, and a £2.8 billion boost to government revenues over the coming 40-year period.

---

<sup>1</sup> The Economic Contributions of Colleges in Scotland, Fraser of Allander, 2023



## Financial sustainability

5. Colleges are operating in a challenging fiscal environment, with a flat cash settlement in Scottish Government funding for 2023-24, alongside other issues such as increased staff costs, inflationary pressures and the problems associated with Reinforced Autoclaved Aerated Concrete (RAAC).
6. The financial sustainability of the college sector remains extremely fluid, with assumptions being constantly updated as circumstances change. The sector is not homogenous and there continue to be variations between institutions in terms of their financial performance that are not reflected in aggregate figures.
7. It is the responsibility of individual colleges to respond to this challenging fiscal environment. Colleges' Boards of Management (along with the Regional Strategic Body in multi-college regions) are responsible for ensuring that their college is financially sustainable and that there is in place a robust business plan to secure appropriate staffing levels, course provision and delivery.
8. Financial sustainability is a condition of grant, set out in SFC's Financial Memorandum with colleges. We increase our levels of engagement and monitoring activity for those colleges facing risks to their financial health. We work closely with such colleges to understand and assess the problem areas; and we require colleges to develop plans to bring them back to a sustainable position.
9. We will publish our report on the financial sustainability of the college sector in early January 2024. This report is based on colleges' annual accounts for Academic Year (AY) 2020-21 and AY2021-22, and the latest forecasts for the period from AY2022-23 to AY2025-26 from the most recent Financial Forecast Returns (FFRs). We will receive colleges' annual accounts for 2022-23 at the end of December 2023, and given the fluidity of the situation, there may be some movement between forecast figures in the FFRs and actual results.
10. FFRs are prepared using planning assumptions developed with the college sector and reflect Scottish Government advice. These assumptions are relevant at the point at which they are prepared but are likely to be affected by staff pay negotiations, uncertainty in the wider economy and the government's budget settlements and savings requirements. Institutions are also encouraged to develop any additional planning scenarios they consider appropriate for their operating environment and circumstances.
11. Some of the key findings from our most recent analysis include:
  - a. The financial position of colleges continues to deteriorate, with the sector forecasting an adjusted operating deficit of £27.2m for 2022-23.
  - b. An increased number of colleges are forecasting adjusted operating deficits in 2022-23 with further substantial adjusted operating deficits projected in the next three years.
  - c. Colleges remain highly reliant on SFC grant which is expected to remain at 78% of total income across all forecast years.
12. It is challenging for colleges to pursue commercial income in the current financial environment, mainly due to:
  - a. the difficulty of competing with private sector providers with lower fixed cost bases;



- b. reducing cash balances limiting colleges' ability to expand their offer where additional investment is required; and
  - c. the lack of fiscal flexibilities to exploit further commercial opportunities.
13. Some of the key risks for the college sector include increasing staff costs, difficulties in meeting activity thresholds due to demographic changes and learner pathway trends, challenges in achieving net zero targets, and the macro-economic outlook with high inflation and rising interest rates.
14. We continue to work closely with the college sector and engage with individual institutions to monitor financial health and sustainability.
15. Part of this work, and given the fluidity of the external environment, includes analysis of how colleges' previous financial forecasts have compared against the outturn.

## College Funding

16. The Scottish Government is scheduled to publish its budget for 2024-25 imminently.
17. Our approach to investment distribution across both colleges and universities is driven by a range of high-level principles, which include: the interests of current and future students and researchers; the promotion of equal opportunity; and the need to balance stability, responsiveness, and change.
18. Our college allocations for AY2023-24 provided individual funding for colleges based on the Scottish Government's Budget for Financial Year 2023-24, where the Scottish Government invested £701.7m resource and £82.4m capital in the college sector.
19. Our allocations for AY 2023-24, which included a process of engagement with the college sector in advance of distribution decisions, demonstrate our transition towards a more dynamic and forward-looking funding distribution system. This new approach will move the funding distribution model away from a retrospective, recovery-based model towards a forward-looking model where credits will be allocated to reflect delivery and demographic trends.
20. In order to minimise volatility and external funding shocks to colleges, the following elements underpinned our AY 2023-24 funding allocations:
- a. We maintained investment in teaching funding for AY 2023-24 at £521.6m, in line with AY 2022-23.
  - b. We maintained our student support funding at £135m in line with AY 2022-23. Through careful management of this budget, we have been able to increase the bursary rate per student by 11%.
  - c. We provided increased planning certainty for colleges by setting a more realistic credit allocation, which also served as a minimum threshold of credit-bearing activity. Together, these measures help avoid volatility and therefore undue exposure to the recovery of funds where activity levels in the past have not been met. Colleges also have the flexibility to deliver in excess of this threshold to meet local needs as directed by their boards of management.



- d. We provided a balancing price increase per credit to ensure that overall SFC funding was unchanged from AY 2022-23.
  - e. In recognition of the semi-fixed costs that colleges face, we agreed that 20% of a college's teaching funding will not be directly related to the delivery of credits and will therefore not be subject to recovery if there is under-delivery against the credit threshold.
21. We continue to engage with the college sector directly, and through the College Tripartite Alignment Group which comprises the Scottish Government, SFC and Colleges Scotland (including representatives from colleges). The Tripartite Alignment Group was set up to consider urgent pressures and opportunities facing colleges and provide options on enhancing college financial flexibilities.

## College Estates and Infrastructure

22. The college estate is a major strategic asset. In aggregate, it is a critical part of Scotland's infrastructure and integral to the success of the communities and economy that colleges serve. Attractive, technologically current, and fit-for-purpose estates are essential to deliver colleges' core purpose in delivering successful outcomes for their students.
23. There is significant variety in Scotland's colleges, comprising a mix of large, multi-campus, metropolitan institutions, and those of a smaller, rural nature.

## College Estates Funding

24. Since 2007, the Scottish Government has allocated over £823m to college capital projects including new campuses and buildings. Colleges received a further £330m in Non-Profit Distributing (NPD) revenue-funded investment.
25. The Scottish Government's FY 2023-24 budget provided a college capital budget of £82.4m, which was an increase of 10% (£7.7m) on the previous year. This included:
- a. £35.9m for capital maintenance (which includes £4.7m ringfenced funding for priority maintenance)
  - b. £41.5m for the capital project at Dunfermline Learning Campus
  - c. £5m for supporting digital poverty across colleges, universities and community learning and development (CLD) providers.
26. Following consultation with the college sector, in our College Funding Allocations AY 2023-24, we:
- a. provided increased operational flexibility by combining the backlog and lifecycle maintenance elements into one capital maintenance allocation, to provide colleges with greater flexibility and control over the use of this funding.
  - b. prioritised high priority maintenance by ringfencing £4.7m of the capital maintenance budget to support the highest priority needs, including known and emerging health and safety issues, during 2023-24.

## College Infrastructure Strategy

27. Our National 2021 Review recommended developing a national vision and strategy for college estates. In 2022, we published our College Infrastructure Strategy which sets out a collective approach between SFC and colleges to develop a 10-year Infrastructure Investment Plan for Scotland's colleges. Our ambition is for a college estate that delivers a high quality, technologically advanced and sustainable learning environment enabling and enhancing successful learning and skills outcomes for students, staff, and communities.
28. This strategy was developed by SFC in consultation with the college sector, and it recognised the need for significant investment to ensure the delivery of a college estate fit for the future.
29. Our Delivery Plan for the College Infrastructure Strategy will be published in December 2023.
30. A key milestone in our College Infrastructure Strategy will be the publication of a report in late Spring 2024 that will provide a comprehensive understanding of the college estate across Scotland in terms of the status of buildings, suitability of the current estate including its utilisation and digital capability, and the expected estate use in the future.
31. This will be followed by the publication of the Infrastructure Investment Plan (IIP) in Autumn 2024. The plan, which will cover the period from 2024 - 34, will identify infrastructure investment need, which includes investment for net zero, RAAC, training equipment and digital needed for a sustainable college estate to deliver the desired outcomes for students, staff, and communities.

## Reform

32. Colleges were already facing financial sustainability pressures when the Covid-19 pandemic sent shock waves through the sector here and across the world. In June 2020, in response to this external shock, Ministers commissioned the SFC's Review of Coherent Provision and Sustainability to review how we could best fulfil our mission of securing coherent provision by post-16 education bodies, and the undertaking of research.
33. We published our National Review recommendations in June 2021 and our recommendations for the college sector included:
  - a. the development of longer-term public funding assumptions;
  - b. development of a more systematic approach to the way we collectively plan coherent tertiary education and skills provision and investment, so that it responds better to current and future needs of pupils, students, employers, and broader economic and social drivers;
  - c. finding better ways to support learning throughout life; protecting the interests of current and future students;
  - d. recognising the importance of international education connections;



- e. and galvanising current and future leaders across tertiary education, skills provision, and research.
- 34. The Scottish Government broadly accepted our recommendations but recognised it “has big ambitions against fairly constrained resources” and that we need to prioritise time, resources, and effort to best effect. Since then, the Independent Review of the Skills Delivery Landscape (June 2023) and the Scottish Government’s Purpose and Principles (June 2023) have been published, both of which align with many of our recommendations, and there have been subsequent updates to parliament by the Cabinet Secretary for Education and Skills, and Minister for Further and Higher Education.
- 35. We continue to engage closely with the Scottish Government, particularly around education reform, future budget assumptions and the government’s strategic direction for publicly funded tertiary education.

Further information: [corporateaffairs@sfc.ac.uk](mailto:corporateaffairs@sfc.ac.uk)



The Educational  
Institute of Scotland

**Public Audit Committee**

T3.60  
Scottish Parliament  
Edinburgh  
EH99 1SP

By email only

Dear Convenor,

I am writing to you to seek to have the record corrected, following my appearance as a witness to the committee on Thursday 30<sup>th</sup> November 2023. This relates to the following statement, that I have taken from the Official Report of the meeting:

*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.*

I wish for the committee to be aware that when making the statement above, I had forgotten of three replies that were received to the letter sent by EIS-FELA requesting a joint call be made for an emergency funding package. This was brought to my attention in recent days following my appearance at committee and I have subsequently undertaken work to ensure I have a correct grasp of events.

From the records held by myself, I have found that College Employers Scotland replied asking for further information regarding the request being made, one college Principal replied in a formal letter and one further college Principal replied informally.

However, although these replies were received and two informal conversations took place between two college principals and myself, there were no agreements made to publicly join with EIS-FELA in calling for an emergency funding package; as was requested in the aforementioned letter. Similarly, although I discussed the

request with College Employers Scotland, no agreement was reached on publicly calling jointly for an emergency funding package.

When making the statement, EIS-FELA's disappointment on the lack of agreement to publicly make a joint call for emergency funding was the main thrust of the point that I wished to make and in doing so, I made the statement to the best of my recollection. However, I accept and regret that this is not what I articulated and therefore not what the record reflects.

I wish to convey my sincerest apologies to the committee for this miscommunication and request that the information that I have now provided is shared with its members. I hope that the clarification provided affords committee members an understanding of the point that I wished to make.

Thank you again for the opportunity to give evidence to the committee. I know that this was greatly appreciated by EIS-FELA activists.

Kind regards,

Stuart Brown  
EIS National Officer (Further Education)



## Annexe D

Dear Convener,

In advance of the session to be held on Thursday, 11 January 2024, please find attached three documents which represent our written submission to the Committee in order to inform the evidence session. Taken together these documents highlight what we believe to be the key issues which should be highlighted to the Committee as part of its scrutiny.

Firstly, please find attached the Draft Budget Submission for 2024/25 to the Scottish Government from Colleges Scotland. This submission set out the funding requirements for the college sector which would in turn have brought about significant returns for Scotland's economy, communities and for individuals.

In addition, please find attached a letter issued to the Deputy First Minister and Cabinet Secretary for Finance on Wednesday, 6 December 2023 regarding the Draft Budget, in addition to an analysis document completed by Colleges Scotland and issued to the college sector on Tuesday, 19 December 2023 following the Draft Budget Statement.

Finally, please also see the [media release](#) issued by Colleges Scotland on Wednesday, 20 December 2023 on the Draft Budget.

Should you need anything further from our side, please do get in touch.

Regards  
Senior Policy Officer

# Draft Budget Submission 2024/25



When Colleges Thrive, Scotland Thrives

# Introduction

Colleges Scotland as the voice of the sector supports the delivery of thriving colleges at the heart of a thriving Scotland. Colleges Scotland, as the membership body, represents all 24 colleges in Scotland, which deliver both further education and around 13% of the provision of all higher education in Scotland.



# Delivery of Education Reform Agenda

Colleges Scotland is seeking a leading role in the implementation of those recommendations identified as priorities by the Scottish Government in relation to the [Skills Delivery Landscape Review](#), [Independent Review of Qualifications and Assessment](#), and [Purpose and Principles for Post-School Education, Research and Skills](#).

To maximise the opportunities emerging from these reviews, the Scottish Government should not overlook the significant capabilities of the college sector when prioritising investment as part of reshaping the critical national infrastructure that is our tertiary education system.

We wholeheartedly agree that our skills delivery landscape should aspire to be world-class and should offer a distinct competitive advantage for Scotland. That is why we are asking for 2024/25, that the Scottish Government makes up the gradual reductions in core college

funding that have taken place in recent years and highlighted by Audit Scotland, and restore college revenue to make up for inflation.

## Repurposing of the Education and Skills Budget

Colleges Scotland is seeking a repurposing of an element of the overall skills and education resource, currently sitting at £3.2billion in the 2023/24 Budget, to allow the college sector to deliver key Scottish Government priorities by establishing a new structural approach to skills delivery.

This would align with the vision detailed in the recent Independent Review of the Skills Delivery Landscape, led by James Withers, whilst reducing duplication and wastage within the system for the benefit of the public purse.





## Repurposing Context

The Think the Unthinkable workstream taken forward by college sector leaders over the last twelve months has identified a number of potential changes to the delivery of skills, which were subsequently affirmed within the Skills Delivery Landscape Review.

Following discussions with the Minister for Higher and Further Education; and Minister for Veterans at the college sector's Think the Unthinkable Convention 6 in September 2023, Colleges Scotland will be providing further details on concrete and tangible models for the delivery of a future focused skills landscape, to provide reassurance to Scottish Government that the sector has the capacity and structures to deliver on these priorities.

These models will show how the college sector could deliver better returns on investment that contribute to more efficient use of resources, whilst at the same time contributing to the stability and sustainability of the college sector and delivering other Scottish Government outcomes and priorities.

These models will include work areas such as:

- Model for apprenticeship delivery
- Approach and model of a single funding body
- Future structure of skills planning and the college role
- Green skills delivery
- Models work, including Centres of Excellence.

## Financial Context

The economic contribution of colleges in Scotland has been reinforced by the findings of Fraser of Allander Institute [research](#) completed in October 2023, which has evidenced the system wide impact of college graduates to the Scottish economy and the economic impact of the money that colleges spend. A repurposing of funding will enable this economic impact to be enhanced, for the benefit of the Scottish economy.

This latest research, which was launched in October 2023, shows that:

- For the 2021/22 graduation cohort, it is estimated that the Scottish economy in terms of GDP, will be cumulatively better off by **£8 billion** in present value terms over the long term, when compared to an economy without these skilled graduates. This is equivalent to a **£73,000 boost in productivity** per graduate to the Scottish economy.
- The Scottish Government's £740m investment, via the The Scottish Funding Council (SFC) in colleges in 2021/22, led to a **£8bn boost** to the GDP of the Scottish economy and a **£2.8bn boost** to government revenues. The investment in this college cohort therefore represented **9%** of the return in terms of the boost in GDP, and **26%** in terms of the boost to government revenues.
- The 2016/17 – 2021/22 college graduation cohort is estimated to have made the Scottish economy cumulatively better off by around **£52bn** over their 40-year working life, when compared to a scenario without these skilled graduates, helping to boost labour productivity by 2% in the long run across the Scottish economy.



- College spend helps to support an additional **4,400 jobs** across the Scottish economy, of which 2,700 are directly supported by college supply chain spending, and the remaining 1,700 are supported across the wider economy, as purported by the Fraser of Allander Institute modelling.

## Investment for Priorities

Investment will deliver significant gains for the three priorities identified by the Scottish Government:

- Equality – Tackling poverty and protecting people from harm
- Opportunity – A fair, green and growing economy
- Community – Prioritising our public services.

The investment will allow the college sector to help the Scottish Government deliver its agenda by continuing to:

- deliver significant progress in tackling the poverty-related attainment gap

- upskilling and reskilling of adult learners, helping them re-enter the workforce
- deliver the skilled workforce for Scotland as the leading national provider of skills
- deliver the Just Transition to Net-Zero and dealing with the skills emergencies
- deliver lifelong learning opportunities and work-based learning
- deliver against the National Outcomes of the National Performance Framework
- deliver the ambitions and objectives established in the National Strategy for Economic Transformation (NSET)
- deliver enhanced and increased partnerships with industry, Innovation Centres, schools and community stakeholders
- deliver within their place and communities as recognised civic anchors
- deliver against the Fair Work agenda and to building equality.

## Investment for Staff and Students

It is critically important that there is adequate funding to protect the human capital that already exists within the college sector. This investment is required to mitigate the social impact and real damage associated with significant staff redundancies and campus closures.



## Investment to Seize Opportunities for Scotland

The information below starts to set out the scale of just some of the potential technology opportunities that would be missed if adequate investment in the college sector is not delivered by Scottish Government.

- **Energy Efficiency Low Carbon Heat** – **£33bn** investment required across Scotland's homes to meet Net-Zero by 2045. By 2030, it's estimated that overall **28,000 jobs** could be created by the shift towards low carbon heating, with net additional jobs of 16,400. The college sector will meet the skills needs associated with these jobs.
- **Offshore Wind industry** – projected investment requirements of £6.3bn per year between 2021 and 2035, totalling **£95bn**, is predicated on the requirement for 40,000 jobs over and above those for which there is current capacity. Many of these jobs would be supported by college programmes, and therefore without adequate investment in the college sector starting now, this investment potential is at significant risk with huge losses to Scotland's economy and future potential in this work area. This is based on 30GW of output for offshore, with an additional 10GW planned for onshore wind generation.
- **Hydrogen** – Scottish Government itself has projected that the hydrogen economy could support between **10,000 - 40,000 jobs** by 2045, again with the majority at a skills level that would be delivered through colleges.



- **Transport Infrastructure** – it is projected that **£9bn** investment by 2026 is planned in Scotland, requiring an additional **25,000 skilled workers** to replace those expected to retire or leave the industry in the next five years. The college sector will meet the skills needs associated with these jobs.

In addition to the above, there are workforce requirements in carbon capture and storage, heat networks and advanced manufacture, as well as in existing job training requirements across energy, engineering and construction.

## Lack of Investment

Without the requested investment through repurposing existing resources towards the college sector, the lack of investment will impact the ability of colleges to support Scotland.

Recent evidence presents the stark differences in the baseline amounts invested in college students, and the real disparities across our educational settings.

College students deserve parity of investment and Colleges Scotland has consistently called for stronger, longer-term funding to help colleges thrive. The gap between secondary school, college and university funding should be closed as soon as possible.

Extract from a [SPICe briefing](#) to the Education, Children and Young People Committee:

Average expenditure per place for each education level in real terms (2022/23)	
Pre-school	£9,273
Primary School	£5,916
Secondary School	£7,657
College	£5,054
University	£7,558

Lack of investment would realise the following risks.



## Risk: Destabilise Individual Institutions

There are significant concerns about the financial position of colleges as, even before the Covid-19 pandemic, the strains on the college sector were clear. There must be stability, and then sustainability, for colleges.

Audit Scotland, in its Scotland's Colleges 2023 briefing paper published in September 2023, stated:

The Scottish Government has budgeted revenue funding for the college sector comprising £675.7 million in each of 2021/22, 2022/23 and 2023/24. After taking account of inflation, this represents a reduction in real terms of 8.5 per cent from 2021/22 to 2023/24.

The SFC has set a college revenue budget for AY 2022/23 of £675.3 million, a reduction of £36.5 million (5.1 per cent) from AY 2021/22.

Risks to the college sector's financial sustainability have increased since the report in 2022. The previous report drew on colleges' accounts for AY 2020/21 and concluded that it will be difficult for colleges to balance delivering high-quality learning at the volume expected while contributing to other Scottish Government priorities. These risks to the sector's financial sustainability have increased since then.



## Risk: Damage the Chances of Scotland's Children and Families

As civic anchors, the 24 colleges in Scotland play a vital role in the social and community make up of 'our places' i.e. the combined physical, social and cultural environment. Colleges help the most disadvantaged and furthest from the labour market, and power regional economies by delivering the skilled workforce and innovative practice needed by business and industry, giving opportunities for all.

As the latest SFC [report](#) on Widening Access evidences, college enrolments for individuals from SIMD20 areas account for around **28%** of full-time higher education intake and **33%** of full-time further education college intake, with a further **20-25%** of enrolments from SIMD20-40 areas.

A [report](#) by the Sutton Trust identified that **90%** of those learners from the most socially deprived background that went to university did so through colleges – underlining the importance of a streamlined learner journey.

Colleges support social cohesion, positive and resilient mental health and wellbeing of both our learners and our communities. They provide the necessary pastoral support to students, including preventative mental health services and in-college student support services which are fundamental to improved retention and attainment rates as colleges continue to deliver on widening access.



## Risk: Reduce ability to tackle the Climate Emergency

The risks to Scotland's response to dealing with the Climate Emergency will be negatively impacted without an adequately resourced college sector. Addressing climate change becomes more challenging without the appropriately skilled workforce being in place to meet the current and future industry needs, placing Scottish Government at greater risk of missing its climate change targets.

Going forward, colleges across Scotland are needed to help Scottish workers and apprentices, to keep pace with technological, environmental, and labour market changes, and to increase workforce and business resilience to future disruption as the economy both recovers from the impact of Covid-19 and transitions to a net-zero, low-carbon inclusive format in response to the Climate Emergency.

Colleges played their part throughout the 1980's and 1990's by taking students whose previous working lives had disappeared from under them due to the changing industrial landscape, and Scotland now faces the same challenge in trying to support people move into the green economy. The opportunity for people to learn at college, at all stages in their lives, must be there.

## Risk: Halt the Delivery of a Fairer, Greener Economy

Colleges are, and will continue to be, the powerhouses of Scotland's economy and are the place where this generation and the next are supported into careers by joining the workforce or continuing their education. Colleges are characterised by an ambition for greater collaboration across the skills and learning landscape, between schools, colleges, universities, and other providers, and outwards with employers, businesses, and industry sectors.

Without the identified investment set out in this Draft Budget submission for the college sector to overcome the skills emergency, there will be significant impacts to both staff and students, and risks to potential investment and opportunities, which will mean that Scotland would not maximise its economic potential in areas such as green technologies.



# Revenue

Colleges Scotland, representing the views of Scotland's 24 colleges, sets out a revenue investment position of £704.9m for 2024/25 (excluding student support funding) as per the table below. The amount of repurposed resource within the wider Education and Skills budget being sought for the college sector to restructure skills provision is subject to ongoing discussions with Scottish Government.

<b>Investment Requirements for Academic Year (AY) NOT including student support</b>	<b>2024/25 £m</b>
<b>Revenue Funding</b>	
Baseline teaching (2023/24)	521.6
Sustainable Revenue – Based on CPI September 2023	35.5
Rebalance of college funding	45.5
Recurring Cost of 22/23-23/24 Staff Pay Offer	51.0
Energy additional costs premium	12.0
Digital Access	7.8
Mental Health and Wellbeing Fund	5.5
Transition Fund	26.0
<b>Total Revenue Request</b>	<b>704.9</b>

This investment position sits separate to the following:

- Further requests for the Scottish Government to repurpose funding to the college sector within the wider Education and Skills portfolio budget, for specific proposals as set out above, which Colleges Scotland will continue to work with Scottish Government officials on.
- The need for colleges to receive the required urgent focus and investment in order to offer the required training and skills necessary to achieve a just transition to Net-Zero.

## Assumptions

- We ask that the Scottish Government carefully considers the current and future impact of inflationary pressures on the college sector and refers to the Office for National Statistics Consumer Price Index for inflation figure when evaluating future funding levels.
- These figures do not include Student Support or PFI/NPD costs.
- These figures do not include the cost of implementing Job Evaluation across the college sector.

## Baseline Teaching (From Previous Year)

The final funding revenue allocation for AY 2023/24 acts as the baseline teaching figure for the revenue funding going forward.

## Sustainable Revenue – Inflation

In order to protect the spending power of the revenue budget, this needs to be increased to reflect inflationary pressures. Our position reflects the latest CPI measure as of September 2023.

## Rebalance of College Funding

This amount would address the reduction in funding for the sector of 8.5 per cent in real terms between 2021/22 and 2023/24, while the sector's costs have increased, as highlighted by Audit Scotland in its Scotland's Colleges 2023 briefing. This would start to deal with the expectation on colleges to do more with less, and help to restore the opportunity to deliver a great learning experience.

We appreciate the figures used by Audit Scotland are for Financial Years, but this provides an approximate figure for the equivalent Academic Years. We have included an ask for the amount related to college funding excluding Student Support.

## Recurring Cost of 2022/23-23/24 Staff Pay Offer

As of the date of this submission, the estimated costs related to the trade union's pay claims for both lecturer and support staff in 2022/23 and 2023/24 would add a further £51m to the college sector pay bill, if agreed by the trade unions. This amount would be consolidated going forward.

Clearly, this level of pay increase cannot be absorbed without significant impact

on staff and students, and Colleges Scotland is expecting additional funding from Scottish Government to cover the recurring costs of these pay claims.

As Audit Scotland outlined in their 2023 briefing on the college sector, rising staff costs are the biggest financial pressure for colleges, with the strategic workforce pressures facing colleges being more challenging than before. Effective, affordable workforce planning is now a greater than ever priority and challenge for colleges, and this process requires support from the Scottish Government.

It should be noted that for every £1m not made available as part of this Draft Budget submission, this equates to an amount of resource equivalent to 20 jobs from within the college sector.

## Energy Additional Costs Premium

This has been included as an addition due to the level of increases seen by colleges of their utility bills. We have worked with APUC to produce a realistic ask around the expected additional costs for Academic Year 2024/25. This ask has been informed by the latest evidence from APUC on current energy market price trends, using the latest market intelligence.





## Digital Access

For colleges to deal with the ongoing challenges facing learners in terms of Digital Poverty, there is a need for a Digital Access fund – one with built-in flexibility for colleges to provide appropriate equipment and data connection for non-school based learners to ensure their engagement with learning and teaching activity.

This fund would build upon the previous investment to address Digital Poverty as allocated to colleges by the SFC since Academic Year 2020/21 and, more importantly, meet the continued demand for digital access from learners.

Meeting this demand would:

- Enable more learners from SIMD10 and SIMD20 postcodes to be able to connect
- Supports people access training or retraining
- Provides equity of access to digital learning.

For the purposes of formulating the level of ask, through publicly available data, Colleges Scotland has estimated the number of non-school based learners at college who do not have access to a laptop and/or data provision. The investment required from Scottish Government to help deliver the digital device pack approach for the college sector is as follows:

- Cost of standard specification laptop – £400 each
- Cost of 12 months data package – £300 each
- Total cost per learner – £700.

Total investment required for this Digital Access Fund to ensure all non-school based learners in digital poverty have adequate access to a laptop and data is **£7.8m** per annum.





## Mental Health and Wellbeing Fund

It is critical for colleges to support the mental health and wellbeing of our staff and students. The pressure of the pandemic has clearly impacted health and wellbeing for many, as evidenced by the [Thriving Learners](#) research published by the Mental Health Foundation in the college sector.

Colleges Scotland is seeking investment to enhance learner welfare and to build capacity for colleges to offer additional mental health interventions to build on the existing Student Mental Health and Wellbeing Transition Fund in place for 2023/24, and deliver the ambitions of the Mental Health and Wellbeing Strategy in practice.

The demand for this type of support had existed previously which has grown over recent months and is required to ensure adequate support for our staff and learners and to support the relevant outcomes from the National Planning Framework relating to health.

A specific request of £5.5m for 2024/25 is being made in order to ensure the college sector is adequately resourced to support and maintain vital services for the benefit of both our students and staff. In doing so, we would expect that this funding would be allocated from the Mental Health budget within the wider Scottish Government Health Budget and delivered through the SFC to institutions.

## Transition Fund

Given that the transition funding in 2023/24 was removed to pay for the teacher pay settlement, it is essential that the Scottish Government provide a transition fund in 2024/25 of **£26m or more**. This transition fund will allow colleges to pivot to the new landscape and to be able to maximise the opportunities as set out by James Withers in his Independent Review of the Skills Delivery Landscape.



# Infrastructure

Separate investment is required for college estates, which are in a dire state of repair, with previous investment being used to maintain sub-standard buildings. Students are learning in inequitable conditions compared to schools and universities, and investment is required in college digital infrastructure that will provide fit for purpose digital facilities to meet the demands of our students and stakeholders for a modern hybrid learning environment.

There should be an immediate solution to the renewal of Scotland's college estate and digital infrastructure as a key pillar of investment of public sector assets. It is our estimation, as per the table below, that **£ 775m** is required to bring buildings up to current building standards, with additional funding required to assist the Scottish Government in achieving its Net-Zero target.

As noted in the Education, Children and Young People Committee's report on [College Regionalisation](#), as well as in the

Audit Scotland briefing on Scotland's Colleges 2023, there are extreme concerns about the significant level of backlog and life cycle maintenance required to ensure that the college estate is wind and watertight, to improve the adverse learning environment and subsequent impact on learners. This comes in addition to any costs that will be incurred (both now and in the future) by colleges in responding to potential issues in relation to Reinforced Autoclaved Aerated Concrete (RAAC).

The college sector is working with the SFC to deliver an Infrastructure Investment Plan, following the publication of the College Infrastructure Strategy in November 2022. We are now seeking the full support of the Scottish Government to explore how the requisite resource can be provided to remedy the outstanding maintenance issues and subsequently place colleges on the path to Net-Zero, through a plan for a national renewal of college estates per the recommendations outlined by the Education, Children and Young People Committee.



The table below sets out the needs as reported by individual colleges to a survey conducted by Colleges Scotland in 2022. **Please note this does not include any estimate for the cost of dealing with RAAC.**

Infrastructure Area	Finance Required 2024/25 £m
From the survey, the costs required to bring the college estate up to the baseline condition	250
Where a campus/building is life expired, what was the professional valuation undertaken to arrive at a replacement cost	525
<b>TOTAL</b>	<b>775</b>

In addition to the infrastructure categories identified above, colleges require financial support to:

- Receive lifecycle maintenance costs of approximately **£25m** per annum from 2023/24 onwards, plus inflationary increases.
- Provide appropriate digital infrastructure.
- Reach the goal of Net-Zero, with better building investment choices and demonstrating to learners the advantages of a Net-Zero environment.
- Manage and mitigate the impact of RAAC within the college estate on learning and teaching activity.





# Positive Contributions that Colleges Make to Scottish Government Policy Priorities and Scottish Society

## Colleges Addressing Scottish Government Priority – Equality

### Impact on Poverty

Amidst the cost-of-living crisis, it is clearer than ever that colleges, as community anchors, are more than just places of learning. Colleges are crucial public sector assets in supporting the delivery of social justice and the national mission for tackling child poverty.

The college sector will drive and facilitate actions and interventions to create safe spaces and support learners. Colleges, working in partnership as part of multi-agency collaborations, are actively mitigating the impact of poverty in all of its forms on students and communities and creating far reaching opportunities and success for students.

For young people, college is the most popular destination for those from the lowest socio-economic backgrounds – 38% of school leavers from SMID20 move into further education – compared to a figure of 28% of school leavers overall. There absolutely must be a college place waiting for them when they make that choice. Colleges provide a wholly effective pathway for adults to give them a route to a brighter future out of poverty and gain a qualification which can increase their self-esteem and significantly improve their chances of getting a job, and increasing their household income.

Through supporting transitions for students and developing sustainable pathways for individuals out of poverty, colleges are making a significant impact in tackling poverty and inequalities, and in doing so are delivering on the Scottish Government pledge to facilitate ‘material improvements in the lives and wellbeing of families across Scotland’.



The TRUST (Trauma Responsive Unique Support Tailor-made) Project at West Lothian College has been successful in keeping young people out of poverty, out of custody, and into education and employment.

It aims to remove barriers that have prevented young people who have experienced trauma to access education and all the personal, economic and societal benefits that brings. A critical aspect of the project is to guide young people away from negative paths that lead to them being detained in the criminal justice system.

It is a stepping stone into education, with bespoke courses designed for each individual to follow their desired pathway. The TRUST team works closely with partner agencies to ensure trauma, addiction, and poverty are addressed and do not block future success.

Supported by the project, young people have improved their family relationships, financial situations, employment prospects, and wellbeing. It has been instrumental in the personal and social development of students supported directly within the project and other students on mainstream courses across the college.

Poverty is sadly a daily struggle for many students. At West College Scotland staff acknowledged the increase in the number of students who were struggling to access basic resources such as food and clothing to sustain them and their families. With a number of college departments running their own 'foodbanks', the college's Wellbeing team recognised the need for a centralised approach where all students could access the same resources.

Located at each campus, the Green Rooms were set up to provide access to basic provisions such as dried and tinned foods, clothing both new and freshly laundered, pre-loved items, and general goods. Items are made available for free to both students and staff, similar to a foodbank style set-up.

These rooms are discrete and tackle the stigma that some may have about accessing provision available in more central pantries. This comes at no cost to students who are encouraged to take whatever they need.

This is resourced entirely through donations from both the college community and a small number of external partners. Volunteer members of staff and students, co-ordinated by the Wellbeing Advisors, take care of the day-to-day running.

# Colleges Addressing Scottish Government Priority – Opportunity

## Impact in Delivering National Strategy for Economic Transformation

Colleges are, and will continue to be, the powerhouses of the required economic transformation throughout Scotland. They will be the place where the necessary **workforce will be skilled up**, and this generation and the next, will be supported into careers by joining the workforce or continuing their education. Colleges are characterised by an ambition for greater collaboration across the skills and learning landscape, between schools, colleges, universities, and other providers, and outwards with employers, businesses, and industry sectors, **leading to a fairer and more equal society**.

Scotland's 24 colleges provide education and skills training to approximately 236,730 students each year, in a mix of full-time, part-time, in person, and remote learning, as well as delivery in partnership with schools, employers and other stakeholders. Around 111,459 college enrolments are linked to industry. This allows colleges to contribute to **productive businesses and regions, and to support entrepreneurial people and culture**.

Scotland's colleges are best for the seeds of recovery to take hold and flourish, with a **recognised culture of delivery** and already holding the expertise and ability to deliver reskilling, upskilling, career improvement and holistic support to people locally and regionally, across the country, ready to take advantage of the emerging **new market opportunities**. This role will be especially vital in transitioning the existing workforce into new emerging sectors.

Colleges are also essential components in developing and delivering a genuinely 'placed based approach' to regional and local skills planning. This would be done in partnership with the proposed Scottish Government skills planning function as recommended by the Skills Delivery Landscape Review.

There is a requirement for funding for innovation – to recognise the role of colleges within the innovation landscape and in support of the Scottish Government Innovation Strategy, as well as funding for sustainability, climate change, green efficiencies, child poverty, and starting to move colleges to Net-Zero with better building investment choices, active travel and working from home. Further work on these aspects will follow in order to identify specific costs but it is important to recognise the need for these funds to ensure colleges can fulfil their potential in supporting wider Scottish Government ambitions.



Alex Marshall is a pupil at Queen Anne High School in S5, working towards her higher qualifications but also doing a Foundation Apprenticeship (FA) in Business with Administration at Fife College. As part of the FA, Alex has undertaken a placement in the college's internal communications department.

Alex said: "My apprenticeship has benefitted me a lot, I have learned to be more confident when speaking to people. It's also improved things such as my time management as some of the assessments are sent out to do in our own time with a deadline, meaning that I have to plan when I will complete it. The apprenticeship gives me a lot of freedom compared to school and I really enjoy it because of this.

"In the future I plan to go on to do my HNC and HND both in Business. I have really enjoyed college and the way you are treated compared to school and due to this I've applied for my HNC in Business next year. I hope to run my own business in the future."

## Addressing Climate Emergency

Scotland's colleges are at the very heart of our skills delivery landscape as we transition to Net-Zero by 2045. With ambitious climate targets comes an ambitious opportunity – Colleges Scotland is clear that in delivering Net-Zero we must grasp the chance to be a global leader in green skills; we believe Scotland's training and delivery could be an area of distinct competitive advantage.

Going forward, colleges across Scotland will also continue to help Scottish workers, and Scottish apprentices, to keep pace with technological, environmental, and labour market changes, to increase workforce and business resilience to future disruption and deliver transitions to a net-zero, low-carbon inclusive format in response to the Climate Emergency.

Colleges are ideally placed to support organisations across Scotland to rebuild businesses and their confidence and to do this with the Net-Zero targets in mind, whilst creating opportunities to

develop resource efficient, inclusive, and sustainable economic approaches, which help address inequality and poverty.

Given the college sector's extensive networks and unique reach to SMEs, colleges have a key role to play in supporting net-zero related innovation activity in these businesses, whilst driving regional economic developments and recoveries focused around moving towards a net-zero economy and simultaneously maximising the opportunities for workers to develop their skills as part of these changes.

Recent reviews of the skills landscape are united in their concerns that the current demand for skills training is outstripping the provision, as Scotland is beginning to experience significantly increased demand regarding green jobs.

As the Scottish Government is prioritising equality, opportunity, and community, colleges are ready to respond to the forecasted need for green jobs and increase the current provision of training, re-skilling and up-skilling across Scotland's colleges.

Glasgow Clyde College has devised a programme of Green Skills courses including Electric Vehicles Charging Installation, Heat Pump System Maintenance, and Solar Thermal Hot Water Systems. The courses aim to support the upskilling of those already working in the electrical and energy sectors, to enable them to embrace and adapt to the increase in consumers and industry utilising low-carbon technologies.

The college has also created a net-zero energy-independent classroom powered by green sources such as battery storage, solar PV, and a wind turbine. The classroom serves as a living example of a Net-Zero 'island' of sustainability, integrating renewable energy principles into the curriculum and inspiring students to become environmentally conscious leaders. The result has seen the 'island' classroom utilising sustainable energy 94% of the time, with no need to draw from the grid, with surplus energy stored and utilised by other classrooms.

## Colleges Addressing Scottish Government Priority – Community

### Delivery of a Wellbeing Economy

Colleges are a vital public sector asset in leading and facilitating the transition to a Wellbeing Economy, and in delivering this Scottish Government priority.

By providing opportunities for upskilling and reskilling, and by working with employers to ensure current and future skills pipeline resilience for the labour market, colleges across Scotland will serve the collective wellbeing of current and future generations in line with Scottish Government ambitions.

With sustained investment from the Scottish Government, colleges can help accelerate the reshaping of the Scottish economy and deliver a just transition to a Net-Zero, nature-positive economy based on the principles of equality, prosperity and resilience in line with the [Wellbeing Economy](#).

Colleges already place an emphasis on purpose, prevention, and people across their activities, so are well placed to replicate these themes in building a wellbeing economy in partnership with the Scottish Government.





Katie McCafferty (41) and Mandy Mackintosh (43) are childhood friends who achieved their HNC Childhood Practice at North East Scotland College.

Both had both been working in the oil and gas industry for some time but after returning to work following the birth of their sons, felt somewhat disengaged with their respective roles.

Katie said: "It was a big decision to quit my job but as I was entering my forties thought that there would never be a better time to go for it. Starting college as a mature student was quite daunting at first but I can honestly say I've never looked back. It was a lot of work at times juggling classes, placement, and family life but I absolutely loved the course."

Katie's decision to take the plunge and return to education was the push that friend Mandy needed to follow suit. Mandy said: "When she said she'd been accepted on the course and why didn't I apply too, I decided to go for it! It was near the beginning of the new academic session by then so I applied on the Thursday and was on campus on the Monday."

The graduates have found jobs already as Early Years Practitioners.



Jonathan is a neurodiverse individual who was diagnosed with Autism and other learning disabilities. He became a selective mute and removed himself from any form of social interaction out of the comfort of his own home.

In 2022, Jonathan, with the support of his mother, enrolled in a programme that supports a one-year transition programme to employment for adults with learning disabilities and/or Autism spectrum conditions.

The collaborative efforts between Dundee & Angus College and the local Health & Social Care Partnership have provided the right environment for Jonathan to grow, break down barriers, and thrive. After 22 years of silence, Jonathan spoke for the first time in an educational context and has continued to develop his verbal skills.

Jonathan found a passion for working at the Nursing Bank Ninewells Hospital in Dundee during his work placement and has gone on to secure employment there where he confidently answers phone calls and handles reception duties as part of his role.



## National Performance Framework

Investment in the college sector will ensure that the national public assets, and skills, experience, and abilities of the college sector can be utilised to help deliver on several of the National Outcomes. These include:

### Education

We are well educated, skilled and able to contribute to society.

### Economy

We have a globally competitive, entrepreneurial, inclusive and sustainable economy.

### Poverty

We tackle poverty by sharing opportunities, wealth and power more equally.

### Fair Work and Business

We have thriving and innovative businesses, with quality jobs and fair work for everyone.

Without investment in colleges, the Scottish Government ambitions around these key National Outcomes will be negatively impacted and potentially lost.

## When Colleges Thrive, Scotland Thrives

The Scottish Government is placing a focus on delivering against Equality, Opportunity, and Community. Without significant and sustained proactive investment in the college sector as public sector assets, the delivery of these ambitions in practice will not happen.

The absence of this proactive investment will create a further absence of opportunities for those citizens furthest from the workforce and who are already the most socially isolated in their communities.

If the Scottish Government wants to enact real change in the lives of these citizens across Scotland and provide opportunities for both young learners and those returning to education, colleges must be resourced to make a difference to all types of students, whether this is helping them progress out of poverty and into fulfilling employment or supporting learners to fulfil their potential and move into careers or start their own businesses.

*When Colleges Thrive, Scotland Thrives.*



[policy@collegesscotland.ac.uk](mailto:policy@collegesscotland.ac.uk) | [www.collegesscotland.ac.uk](http://www.collegesscotland.ac.uk) | @CollegesScot

Colleges Scotland, Argyll Court, Castle Business Park, Stirling, FK9 4TY

Colleges Scotland | Company Limited By Guarantee | Registered in Scotland No: 143210 | Scottish Charity No. SC023848

Wednesday, 6 December 2023

Shona Robison MSP  
Deputy First Minister and Cabinet Secretary for Finance  
The Scottish Government  
St. Andrew's House  
Regent Road  
Edinburgh  
EH1 3DG

Ref: AW/TH

Dear Deputy First Minister and Cabinet Secretary for Finance,

### **Draft Budget 2024/25**

Colleges Scotland as the voice of the sector supports the delivery of thriving colleges at the heart of a thriving Scotland. Colleges Scotland, as the membership body, represents all 24 colleges in Scotland, which deliver both further education and around 13% of the provision of all higher education in Scotland.

### **Context**

The college sector finds itself on a burning platform, with the combination of real term cuts over several years with increased costs related to workforce, inflation and energy (amongst others). This has left a sector, which has the potential to provide so much to learners, communities, and the economy, in a situation where colleges are cutting staff, reducing courses and having to remove much needed support services from the students who need them most.

### **Draft Budget Submission**

The college sector's submission in regard to the Draft Budget for 2024/25 is framed around two main areas:

- Restore
- Repurpose.

### **Restore**

[Audit Scotland](#) highlighted the 8.5% cut in real terms funding between 2021/22 and 2023/24. Our Draft Budget submission includes an ask to restore this funding reduction, so that colleges are able to deal with the immediate burning platform they find themselves on, and to provide for short term survival. This will help to provide stability for the sector.

### **Repurpose**

By taking the opportunities provided by the current Post School Education and Skills Reform agenda, this is a moment to look across the wider £3.2bn spend on education and skills and to repurpose some of this spend towards colleges, where the efficiency of the public pound can be realised. This will bring benefit to learners, communities, and the economy. This provides an

opportunity to create sustainability for the college sector in the longer term.

## **Fraser of Allander – Economic Contribution of the College Sector**

The economic benefit to individuals and the Scottish economy for every £1 invested in the college sector has been clearly demonstrated by the recent independent report by [Fraser of Allander Institute](#).

This new research evidences that the Scottish economy will be £52 billion better off cumulatively over the 40-year working life of college graduates. The report shows that over their working lives, college graduates boost employment, increase real wages and contribute to increased trade and investment.

Researchers studied the impact of the 2016/17 to 2021/22 college graduate cohorts, and calculated that every college graduate in Scotland creates an additional £72,000 boost to productivity for the Scottish economy as a result of going to college. These graduates also help to support the equivalent of an additional 203,000 full-time jobs in the Scottish economy, over their 40-year working lives.

Colleges bring the added benefit of directly providing the equivalent of 10,700 full-time jobs, and they support a further 4,400 jobs elsewhere in the economy through their supply chain spending.

For just the class of 2021/22, the Scottish Government invested £740 million into colleges, which is projected to lead to an £8 billion boost to the Scottish economy, and a £2.8 billion boost to government revenues over the coming 40-year period.

I look forward to ongoing dialogue with yourself and your colleagues as you look to finalise the Draft Budget.

Yours sincerely,

Andy Witty  
Director of Strategic Policy and Corporate Governance

CC: Cabinet Secretary for Education and Skills, Jenny Gilruth MSP; Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey MSP; and Karen Watt, Chief Executive, Scottish Funding Council

## Scottish Draft Budget 2024/25 Analysis – December 2023

The Scottish Government published its [Draft Budget 2024/25](#) on Tuesday, 19 December 2023. The Draft Budget will not be finalised until it has gone through the Scottish Parliament’s legislative process.

### Government Spending on Colleges

- The Scottish Government will **reduce revenue funding** for the college sector, with the Draft Budget for 2024/25 provisionally confirmed as **£643.0m**. This represents a reduction of **£58.7m** against the Budget for 2023/24 of £701.7m, equivalent to **8.4%**.
- The Scottish Government has **increased** current levels of **capital funding** for the college sector with the Draft Budget for 2024/25 provisionally confirmed as **£84.9m**. This represents **an increase of £2.5m, or equivalent to 3.0%**, against the Budget for 2023/24. The final allocation of this funding is still to be confirmed and will be subject to further dialogue between the Scottish Government and Scottish Funding Council (SFC).

Below is the Level 3 breakdown of spending for the college sector in relation to the SFC:

	2022/23 £m	2023/24 £m	2024/25 £m
College Operational Expenditure	865.7	891.7	833.0
College Operational Income	(190.0)	(190.0)	(190.0)
Net College Resource	675.7	701.7	643.0
College NPD Expenditure	29.3	29.3	29.3
Net College Capital	74.7	82.4	84.9

### Key points to note in the Draft Budget include:

- Reduced investment in the SFC, from £2.01bn in 2023/24 to £1.9bn in 2024/25. SFC has seen a reduction in administration costs from £7.8m in 2023/24 to £7.6m in 2024/25.
- Investment of £202.5m in Skills Development Scotland (SDS) for 2024/25. This represents a further reduction in the overall SDS budget, having seen a reduction from £217.1m to £206.6m between the 2022/23 and 2023/24 Budgets.
- Scottish Government “to provide opportunities for people to learn and develop their skills through further and higher education and apprenticeships”.
- Scottish Government to provide “vital financial support to students to support them in completing their studies in the face of significant cost of living pressures”.
- Scottish Government “taking action to support our colleges, universities and skills system with over £2.4 billion of investment, including protecting free tuition and driving forward our commitment to Widening Access”
- Students Award Agency for Scotland (SAAS) Operating Costs have seen reduction, from £13.0m in 2023/24 to £11.2m for 2024/25.

### Education and Skills Portfolio Context:

- The Scottish Government has reduced the Education Reform Budget to £98.4m in 2024/25 from £99.4m in 2023/24.

- The Lifelong Learning Budget has been reduced from £277.2m in 2023/24 to £253.7m in 2024/25.
- Investment in Higher Education and Student Support has increased from £925.1m in 2023/24 to £1.48bn in 2024/25.
- The Scottish Government is to maintain the £200 million annual investment in the Scottish Attainment Challenge for 2024/25 in order to increase the pace of progress on closing the poverty-related attainment gap.
- The Scottish Government will invest £10 million capital in targeted device and connectivity provision for Scotland's most disadvantaged households with children, so as to benefit those households struggling with the cost-of-living crisis while also tackling digital exclusion amongst the most deprived learners.
- The Scottish Government is maintaining the commitment to continue to deliver 1,140 hours of high-quality early learning and childcare to all three- and four-year-olds and eligible two-year-olds, with early learning and childcare to benefit from the expansion of childminder recruitment and retention pilots to grow this part of the workforce by 1,000 more by 2026/27
- Education Scotland has received an increased investment of £29.2m for 2024/25 in comparison to 2023/24 funding levels, of £28.7m.

## **Capital**

- Net College Capital funding has increased to £84.9m in 2024/25 from £82.4m in 2023/24 and £74.7m in 2022/23. Final details of allocations to institutions, and whether additional funding has been provided to mitigate the impact of Reinforced Autoclaved Aerated Concrete (RAAC), will be subject to further discussions between Scottish Government and the SFC.
- The Scottish Futures Trust will also see a further reduction in funding to £3.4m from £3.7m in 2023/24 and £3.9m in 2022/23.
- Overall Scottish Government Budget for Digital has increased to £208.8m from £148.3m in 2023/24.

## **Net-Zero, Energy and Transport**

- The Climate Change spending plans incorporate a significant decrease in the Just Transition Fund to £12.2m in 2024/25 from £50m in 2023/24. Funding for Climate Action and Policy has also decreased from £29.7m in 2023/24 to £29m in 2024/25.
- Scottish Government to invest nearly £67 million in enterprise agencies and the Scottish National Investment Bank, to kickstart commitment of up to £500 million over five years to leverage private investment in ports, manufacturing and assembly work to support a thriving offshore wind supply chain and associated jobs.
- Scottish Government is providing £358m in 2024/25 to continue to accelerate energy efficiency upgrades and installation of clean heating systems.
- Scottish Government to support the maximising of offshore wind supply including through an increased investment in the Offshore Wind Supply Chain from £9.3m in 2023/24 to £66.9m in 2024/25.
- Scottish Government investment in Energy Transition within the Wellbeing Economy, Fair Work and Energy Directorate has reduced to £52.5m in 2024/25 from £86.1m in 2023/24.

Colleges Scotland  
December 2023