



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit Committee

**Thursday 22 September 2022**

**Session 6**



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**Thursday 22 September 2022**

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**PUBLIC AUDIT COMMITTEE**

**22<sup>nd</sup> Meeting 2022, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

\*Sharon Dowey (South Scotland) (Con)

**COMMITTEE MEMBERS**

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

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

\*Craig Hoy (South Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Stephen Boyle (Auditor General for Scotland)

Mark McCabe (Audit Scotland)

Carolyn McLeod (Audit Scotland)

**CLERK TO THE COMMITTEE**

Lynn Russell

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Public Audit Committee

*Thursday 22 September 2022*

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

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning. I welcome everybody to the 22nd meeting in 2022 of the Public Audit Committee. The first item on our agenda is to decide whether to take agenda items 3 and 4 in private. Do members agree to do so?

**Members** *indicated agreement.*

## “Scotland’s colleges 2022”

09:00

**The Convener:** The principal item on our agenda this morning is consideration of the Auditor General for Scotland’s briefing on “Scotland’s colleges 2022”. Our witnesses from Audit Scotland, who are in the committee room, are: the Auditor General for Scotland, Stephen Boyle; Carolyn McLeod, audit director, performance audit and best value; and Mark McCabe, audit manager. You are all very welcome.

Auditor General, as you know, you should feel free to bring in your supporting wing members at the points at which you would find it most useful to do so and when that would be most enlightening for the committee. I ask you to kick off by giving a short opening statement.

**Stephen Boyle (Auditor General for Scotland):** Many thanks, convener, and good morning, committee members.

I welcome the opportunity to speak to the committee about Scotland’s college sector. Scotland’s colleges play a vital role in helping people to learn new skills and fulfil their potential. They also make significant contributions to supporting economic development at the local and national levels.

In recent years, we have reported on the challenges that the college sector has faced, including in responding to financial sustainability risks and focusing on improving outcomes for Scotland’s students. Those pressures continue, with anticipated challenging financial settlements for colleges in future.

My latest briefing focuses on the 2020-21 academic year. It highlights that Scotland’s colleges responded well to Covid-19 and that additional funding contributed to a better-than-expected financial outturn for the year. However, the financial position of colleges is now expected to deteriorate, with deficits forecast in 2021-22 and 2022-23.

The Scottish Government’s multiyear spending plans, which were announced in May, show a flat cash settlement and real-terms reduction for the Scottish Funding Council over the next four years. That indicates that there will be some really challenging times for the sector.

The Covid-19 pandemic had a detrimental impact on learning and student outcomes. The proportion of full-time further education students successfully completing their courses and achieving the intended qualifications fell in 2020-21 and, on average, socially disadvantaged and

vulnerable students are still less likely than their peers to complete their courses. The varied impact of the pandemic across different groups of students has exacerbated existing inequalities. Changes are needed to ensure that the sector is financially sustainable in the long term and that more students successfully complete their courses.

The Scottish Funding Council made a series of wide-ranging recommendations to improve the further and higher education sector in 2021, and the Scottish Government and the SFC are starting to take forward those recommendations. They have prioritised work to set out the future role of the college and university sectors by May next year and to develop their national impact framework to assess outcomes by August 2023. In the meantime, the Scottish Government and the SFC need to consider how best to support colleges to prepare and plan for those changes now. It is important that they clarify expectations and priorities for the sector over the medium and long term and the funding that is available to deliver them.

As ever, my colleagues and I will do our utmost to answer the committee's questions.

**The Convener:** Thank you very much. We have questions that touch on all the areas that you have outlined in your opening statement, which is very helpful in setting the scene.

The most striking expression that is used in the briefing—it is used twice—is that the finances are “healthier than expected”, although it is clear that Scotland's colleges are still in a precarious financial position. Could you say a little more about the “healthier than expected” position? Colleges are viewed by many people as public sector institutions, and most public sector institutions were not eligible to qualify for the coronavirus job retention scheme or furlough moneys, for example, or for other Covid grants that were available to businesses. Could you explain a little more about how it came to pass that Scotland's colleges drew down on that money to such an extent that you offer that as an explanation of their financial position being rosier than might otherwise have been expected?

**Stephen Boyle:** I am happy to cover all those points. In a moment, I will bring in Mark McCabe to say a bit more about how the college sector's status allowed it access to some of the United Kingdom Government's financial support arrangements.

With regard to the overall conclusion that the financial position was “healthier than expected”, I mentioned in my opening statement that Scotland's colleges have experienced financial challenges in previous years. We must also put

that in the context of the impact that Covid was expected to have—not just on colleges but on other public bodies—particularly in relation to their access to other sources of income, such as Scotland's colleges' commercial income, which has been reducing and was reduced further as a result of the pandemic. Weighing all those factors brought us to a point where it was expected that there would be a real squeeze on Scotland's colleges in the year in question. However, Covid moneys helped to secure their financial position.

Mark can explain a bit more about that in a moment but, before I hand over to him, I will say something about the longer-term outlook. Scotland's colleges are well versed in preparing longer-term forecasts and we welcome the fact that they have continued to set out their medium-term expectations. The financial academic year that is just past and next year suggest that the sector will return to an operating deficit before it returns to a small surplus. The scale of movement indicates that there are real financial stresses for Scotland's colleges so, with the Funding Council, the organisations will need to plan and think about options for how they might best respond and deliver their services. As I touched on in my opening statement, all that will be in the context of flat cash settlements for the Funding Council, which means real-terms cuts, so a real preparedness is required now for how the college sector will be financially sustainable in the future.

Convener, I will pause there and bring in Mark, but I am happy to elaborate further if you wish me to do so.

**Mark McCabe (Audit Scotland):** Convener, in response to your question about how the colleges qualified for the coronavirus job retention scheme, I suppose that they are a bit of an anomaly. Although they are classed as public bodies, not all their income is provided as public income—they have other sources of income. As a result of that technicality, they were entitled to apply for funding through the scheme to cover their staffing costs. However, they also received additional Covid funding from the SFC. All that contributed to the healthier balance that the Auditor General has referred to.

**The Convener:** Auditor General, you have mentioned real-terms cuts. I presume that that is based on a multiyear forecast of what inflation will be. That is a bit of a stab in the dark, is it not? At the moment, the retail prices index is more than 12 per cent. In the context of the multiyear funding award, we could be looking at quite a drastic real-terms cut in funding.

**Stephen Boyle:** It is about both things. Events have moved on with real pace since May, which is when the resource spending review indicated that there would be a flat cash settlement for the

Funding Council. That means that individual budget allocations for colleges will be derived, during the next few months, through the Parliament's scrutiny of the budget and the SFC's determinations. Yes, inflation will be a real pressure for Scotland's colleges, but regardless of what the retail prices index or the consumer prices index are, they will not necessarily be the cost drivers that individual colleges face.

In the briefing, we mentioned that 70 per cent or thereabouts of the cost base for Scotland's colleges is staff costs. Therefore, the pay award or settlement that they reach with their trade union representatives will inform and influence their overall spending arrangements. A number of variables will indicate how Scotland's colleges will have to manage their resources individually next year.

**The Convener:** Before I bring Colin Beattie in, I want to have a look at one other area: Brexit. There have been periods in the past when Scotland's colleges have been able to draw on European social funds and other streams of support from the European Union. That support is no longer available or is being tapered out of the system completely. In its place, we are offered the United Kingdom shared prosperity fund. Will that find its way through to Scotland's colleges in the way that European Union funds did? Given that it is likely to be administered by, or go to, local authorities, what expectation is there that that money will reach the further education sector?

**Stephen Boyle:** I will turn to colleagues to see whether they can support me on that, convener. We have not covered in great detail in the briefing the range of funding arrangements that colleges have used. I have mentioned in passing other income. That is one source of income that is no longer what it was, but there are still opportunities for colleges to review arrangements and recover where possible. You are right to say that European funding was one of those sources.

Colleges need to review their entire arrangements—whether that be European funding, commercial income or staff costs—to ensure their financial sustainability. Their access to the successor to the European funding arrangements—the shared prosperity fund—or other funds is only part of those arrangements but, undoubtedly, along with the other cost pressures, that situation suggests that times will be tough, as colleges have said in their own forecasts.

**Mark McCabe:** I am not sure that there is a lot that I can add to that. The European social fund was in place for the year that we examined and it continued following Brexit. I think that 2021 was the last year in which it was available to colleges. To access European social funding, colleges have to hit their core target allocation for students.

Covid had an impact on how they were able to do that. The European social fund is a provision on top of core funding once they have reached the threshold of their core targets.

We will have to see what the situation looks like in the current academic year, once that social funding is no longer available—that is, how colleges are achieving their current targets, how they are getting back up to speed post-Covid and what the flow of students through the system is.

**The Convener:** I invite Colin Beattie to ask some questions about the sector's financial sustainability.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** Auditor General, the question of sustainability in the college sector goes back a long way. There have been various iterations of it over the years, particularly since 2014. There has been much discussion of Covid-related funding, which masks some of the financial problems. Are you able to quantify what the impact has been? I am trying to get to the underlying financial situation, as opposed to the impact of the Covid funding.

**Stephen Boyle:** Good morning, Mr Beattie. You are right: it is not news from Audit Scotland that Scotland's college sector has been dealing with financial sustainability issues for a number of years. Covid has contributed significantly to the "healthier than expected" position, which the convener mentioned. That speaks to your point that the additional money supported the sector in the academic financial year in question.

Mark McCabe might be able to say a bit more about the volume of Covid-related moneys that the sector brought in, but I draw the committee's attention to exhibit 1 in the briefing, which refers to the challenges that the sector anticipates to its financial sustainability in 2021-22 and 2022-23. We see in the year past—the year to which the briefing relates—an operating surplus of nearly £20 million. That is anticipated to change to deficits in the two subsequent years. As is set out in the briefing, Covid-related moneys were a significant contributor to supporting the financial position.

As we say in the briefing, it matters that there is now an analysis and review of all the colleges' financial plans and positions and of the role that the Funding Council expects colleges to play through their work.

I will pause a moment for Mark McCabe to share the precise number with you.

09:15

**Mark McCabe:** In the briefing, we have set out that the sector received an additional £15 million in

Covid funding from the Funding Council during the 2020-21 academic year. It also received almost £10 million through the furlough scheme, for want of a better word.

It is not necessarily appropriate to say that adding those two figures together will show the difference in terms of the impact. Colleges have been adjusting to the situation in which they have found themselves. They have been trying to cut their cloth accordingly and to make efficiencies continually. They have changed their provision.

A lot is in there, and, as the Auditor General has said, they have lost such things as commercial income over that period. A straight linear calculation does not necessarily say that what they got in additional funding shows what the impact has been on their position. The picture is slightly more complex than that.

**Colin Beattie:** It is a bit alarming that the SFC's funding has gone up during the period that we are looking at, from 75 per cent in 2017-18 to 79 per cent now. That was never intended. It was intended that colleges should generate some of their own income—and they do, but not at the level that was anticipated prior to Covid.

**Mark McCabe:** You are right to say that the percentage of the sector's funding that comes through the SFC grant has gone up. The reports that we have produced for many years show that that number has crept up each year. In 2013-14, it was about 71 per cent. As you have said, it has gone up to 79 per cent now.

Through national bargaining, there was an increase in staff costs. The Funding Council agreed to fund that increase, through Scottish Government funding. Inevitably, that increased overall costs. Colleges have lost commercial income during the pandemic. In the current environment, generating additional commercial income is incredibly difficult. That is where the percentage figure shifts, and that shift has been noticeable.

**Colin Beattie:** Previously, the financial situation among colleges varied widely. There were particular issues around the Highland ones and some of the Glasgow ones. Does that situation prevail, without much change? In other words, if we looked at 2018-19 and backwards, and looked at the position now, would we see the same pattern with the same colleges, or has there been any significant improvement for any of them?

**Stephen Boyle:** You are right—the overall picture that you have described remains the case. Mark McCabe can say a bit more about the detail behind that.

There is a wide variation in the individual financial sustainability of some colleges compared

with others. Some are producing million-pound surpluses. In particular, some of the Glasgow colleges still have access to funds from the arm's-length foundations—ALFs. However, those funds are reducing, so colleges are not able to draw on them to the extent that they could at the start. As you said, their level of resource is decreasing.

At the other end of the spectrum, some of Scotland's colleges have produced deficits. That speaks to a variety of challenges. Some of it will be informed by the nature of their student base, their ability to attract students to attend courses and so forth. However, the picture is not one of uniformity across the sector.

Mark McCabe may have some examples to share with the committee.

**Mark McCabe:** I have no specific examples on individual colleges off the top of my head.

Colleges operate to tight margins. Within any particular year, there will be fluctuation, and a college might find itself in deficit one year but return to a small surplus the next year. It can bounce around along that line. Some colleges are predicting surpluses over the next three to five years; some predict deficits. There is variation.

Alongside the briefing—this is on our website—we have produced a suite of interactive data. That allows people to interrogate, individually, what position each college is in currently and the position that it is predicted to be in next year.

**Colin Beattie:** Back in 2014, when ALFs were formed—we were probably optimistic in those days—the theory was that commercial income would be parked in them and drawn down against specific contracts as time went on. There does not seem to be much evidence that that has been a terribly successful strategy. It seems to me—but please confirm this or otherwise—that ALFs are a dying breed and that, as the funding that they received in 2014 dies, there will be no support for the colleges.

**Stephen Boyle:** I recognise that characterisation. The response is much like that to your previous question. There was not a universal picture across Scotland on the scale of ALFs. Some colleges had significant reserves that they were able to put into ALFs in the first place, and others did not. However, those have dwindled so that the same scale of resource is not now available to colleges to support their activities.

As we have mentioned already, commercial income is also dropping in Scotland's colleges. That has been particularly exacerbated by the pandemic. That is not to say—especially given the scale of the financial challenges set out in the resource spending review—that that is not an avenue to which colleges can return and bring

new dynamism and opportunity to support the funding that they receive from the Scottish Funding Council. However, it is correct that there is not the scale of resource that they once had.

**Colin Beattie:** Why is it that two thirds of the money in ALFs relate to the three Glasgow colleges? Is that just historical or is there something behind it? Why are they more successful?

**Mark McCabe:** That is typically a legacy issue. As you will be aware, ALFs were created in 2014, when incorporated colleges achieved their new status and they were no longer allowed to hold reserves. All the reserves that the previous colleges had went into ALFs. Each institution's position therefore depended on the level of reserve that it had at that time. We expected the level of that ALF pot to deteriorate over time, as institutions drew on those legacy reserves. As you have said, the level has gone down from the initial £99 million to £19 million, and we have seen a steady drop each year. That is simply because of the legacy issue. The fact that the bulk of that is within the Glasgow colleges is because they had the bulk of it at the start.

**Colin Beattie:** Let us look again at exhibit 1, which shows that the SFC is forecasting the adjusted operating position of colleges. It shows a deficit of £5.6 million in 2021-22 and a projected deficit in 2022-23; the figure then moves into surplus in 2023-24. That seems positive, but how realistic is it? Is that achievable?

**Stephen Boyle:** We are not able to give you assurance one way or the other on those numbers; they are forecasts that the college sector has worked with the SFC to prepare.

If I may look back at the trend, the projected surplus is still very low compared with the levels for the three years prior to the pandemic and, historically, the sector is operating to a much thinner margin than it would have done. Of course, margins of that scale, spread across all Scotland's colleges, suggest that more will experience tight financial challenges even if the figures suggest a surplus.

I go back to the convener's earlier point. The number of variables that public bodies deal with—such as inflationary pressures, the funding environment and pay awards requirements—suggests that, overall, a £2 million surplus will be thin if it is to be spread across the sector. Therefore, although there is a welcome return to surplus, I am not sure that we can say with confidence at this stage that that will be the figure that the sector will deal with.

**Colin Beattie:** I have a final area to cover. Staff costs are shown as 71 per cent of the total expenditure in 2020-21. That is high, but it is, of

course, very much a staff-driven environment. People have to be able to present courses and so on. Therefore, although 71 per cent is high compared with the figures in other sectors, it is possibly justified. However, that means that there is very limited manoeuvrability to save money elsewhere. Staff numbers fell by 1.2 per cent in 2020-21. How sustainable are those staff numbers, given the financial pressures that colleges face? Colleges really have only staff numbers to play with to save money.

**Stephen Boyle:** You are right about the nature of the services that Scotland's colleges provide. They are staff-resource-intensive operations, so there is no surprise that staff costs hover around that level. Looking back at the trend to the middle of the previous decade suggests that there has not been a great deal of movement in staff numbers. Staff costs have been around 70 per cent of total costs.

As Mr Beattie has described, staff numbers of that level mean that there are fewer options available to colleges to manage their financial position. We have already mentioned that staff cost pressures will be a factor that colleges will have to deal with in balancing their budgets. That means that there is all the more reason for colleges, where they are able to, to consider other sources of income—whether that is European funding successor arrangements or commercial activities—and to look at their cost base.

Can Scotland's colleges generate efficiencies? Are there arrangements under which sharing services with one another would deliver efficiencies? It is not for me to suggest particular things that they could focus on, but it is inevitable that all Scotland's colleges will look ever more closely at their financial position—even more than they are already doing.

**Colin Beattie:** We have talked about shared resources for as long as I remember, but I am not sure about the extent to which that has been successful. Are you aware of any examples of colleges that have found alternative ways to reduce costs or increase income? Is there a success story out there that could lead other colleges?

**Stephen Boyle:** I will ask colleagues if they want to share any examples with the committee. It is not only colleges that have not moved quickly enough in relation to sharing services; that is a representation of many parts of the public sector.

The Government's resource spending review in May referenced efficiencies that will be needed and the anticipated digitalisation that will deliver some of the efficiencies that are required to support Scotland's fiscal position. The estates that Scotland's public bodies operate are also a factor.

There is a need to consider all aspects of the cost base, the asset base and income-generation arrangements to support the financial position, including the sharing of services where that is appropriate for bodies in the same sector and beyond the boundaries of their sector. It is not the case that only Scotland's colleges want to share with one another; where appropriate and where it makes sense, whether on a local or a regional basis, there could be other opportunities to do so.

Carolyn McLeod may have an example that is relevant to your question, Mr Beattie.

**Carolyn McLeod (Audit Scotland):** I do not have a specific example as such; I am thinking about the broader context in which colleges operate, and the purpose and principles that the Scottish Government is developing. Those will support colleges to think about prioritisation, which will inevitably be a critical factor in their future planning. Likewise, once the national impact framework is produced by the SFC, it will be a helpful tool in assessing the effect of changes that colleges have made.

I hope that those strategic developments will help colleges when they are thinking about their future planning, support them in assessing whether what they are doing is having the desired effect on cost cutting, and help them to maintain the volume, quality and breadth of learning that they are delivering.

09:30

**The Convener:** The figures on the financial sustainability of the sector ring alarm bells, as we have heard already. Another area that is covered in the briefing that is also a cause for concern is the figures that you have produced on student outcomes. Sharon Dowe has questions on that subject.

**Sharon Dowe (South Scotland) (Con):** Good morning. The briefing notes that the number of students successfully completing their course and achieving a qualification has fallen. According to surveys carried out by the Scottish Government and the National Union of Students Scotland, student poverty could be a contributing factor. You have also highlighted that that represents a risk not only for individual students but for public investment and value for money. Do we have enough information to enable us to rigorously assess the reasons for students not completing their courses?

**Stephen Boyle:** I will bring in Carolyn McLeod on that point.

First, I point out that the briefing seeks to explore not only the spending but what has been achieved from it and, as is consistent with many of

our reports, what outcomes have been delivered for public investment.

The pandemic has had an impact on students' experience, and it has been a contributing factor to whether they have completed their courses. In our headline, we reported that it has exacerbated inequalities and also had an impact on the number of students completing their courses.

I refer to exhibit 4, which shows analysis of student numbers. We can see from the trend—in particular, I am focusing on the last two years, between 2019-20 and 2020-21—that there has been a reduction in the rates of students completing their courses across different groups in society. That is perhaps not unexpected, but it is troubling nonetheless. Scotland's colleges should therefore focus on considering how they support their students—whether that be in a hybrid setting or a return to class-based learning—so that they get the outcomes that they want and public investment receives the intended return from those better outcomes for Scotland's students.

I will pause for a moment and bring in Carolyn McLeod, who wants to say a bit more about that.

**Carolyn McLeod:** The challenge with gathering specific data about students who are not successfully completing their courses, and understanding the reasons for their failure to complete, is that where students go after they withdraw is not tracked. Therefore, there is not a lot of evidence on which to base our understanding of their reasons for leaving.

More broadly, there is information and feedback that the introduction of remote learning certainly brought some positives in respect of flexibility, which could have been particularly helpful for students who had additional responsibilities, such as caring responsibilities. Therefore, some advantages have arisen as a result of the pandemic.

On the other hand, there have been challenges in respect of poverty. For example, digital poverty extends not only to the lack of technical equipment but to students not having a quiet space at home where they can study in peace, or not having great connectivity. Lots of factors fall under that umbrella. The SFC has invested money to support students who might be experiencing digital poverty. We are also aware that there were challenges around particular courses, such as in the completion of practical aspects, given the social distancing requirements that were in place.

However, other factors would have arisen as a result of the pandemic—for example, medical issues. People were suffering from Covid, and people had caring responsibilities for relatives or others who had issues due to the virus. Mental

health issues might also have been exacerbated in those circumstances.

There are therefore lots of factors in the mix, but we do not have definitive information about the student withdrawal rate.

**Sharon Dowey:** Are we doing enough to support students who are thinking of withdrawing from courses?

**Carolyn McLeod:** There are examples in the briefing of what colleges have tried to do to offer support. For example, one of the case studies outlines the food poverty initiative by one college to provide hot meals to students in order to encourage them, draw them into the campus, and make sure that they were not going hungry. There are other examples of efforts to involve and include students in a way that would encourage them to continue with their studies. That is anecdotal evidence; I am not sure how much further detail I can provide about the extent of the support across the board in colleges.

**Stephen Boyle:** To supplement what Carolyn McLeod has said about the analysis of positive destinations from colleges, the exhibits show that just over 15 per cent of people who left a college course were either unemployed or unavailable for work. The reasons behind that matter.

I know about the committee's long-standing interest in data, which is a relevant factor. Colleges have a pastoral role for students so that they understand how they are performing and can anticipate the reasons behind people not completing their course. Data allows them to make amendments in pastoral support, course content or overall access arrangements, for example. We encourage colleges to look further at that, to better understand the reasons why students have not completed their course or moved on to a positive destination.

**Sharon Dowey:** Exhibit 3 shows college leaver destinations in 2019-20. It highlights that a growing number of college leavers went to university, that there was a 10 per cent reduction in college leavers going into work, and that, as you have mentioned, 15.6 per cent of college leavers were unemployed or unavailable for work—that is a 3 per cent increase from 2018-19. What is your assessment of the value for money that is being delivered by Scotland's colleges, in light of leaver destinations?

**Stephen Boyle:** Leaver destinations are one factor in informing our overall judgment on the value for money of Scotland's colleges. We have not attempted that in the briefing. Clearly, however, when it comes to public investment and the outcomes for individual students, we can assume that not all of that 15 per cent embarked on a college course with the expectation that they

would be unemployed after it, given that we have talked about the vital role of colleges in supporting students in their acquisition of new skills, employability, aspiration or further learning. The number who have embarked on a college course and not completed it feels too high.

To go back to our earlier discussion, the colleges need to get better data behind why that is happening. You rightly talked about public investment, but it is also about supporting the individual experience and subsequent life chances of people who have embarked on a college course.

**The Convener:** I will shortly bring in Willie Coffey, but I will just compare and contrast two of the statistics in your briefing. On the one hand, the student satisfaction rate among full-time students is very high, at 88 per cent; however, the line above that tells us that 27 per cent of full-time further education students withdrew—they dropped out. I can only assume that the students who were surveyed under the satisfaction survey did not include those who had withdrawn.

**Stephen Boyle:** Unless colleagues tell me differently, I am not sure that we know the precise scope of the various surveys. Those numbers on overall satisfaction and withdrawal rates look at odds with each other. There is merit in getting beneath some of that, but I am not sure that we have the information on that today.

**The Convener:** In part, it might be a result of the timing of different surveys. I see that Mark McCabe is nodding at that.

Willie Coffey has more questions in this area.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning, everyone. One of the few good things that emerged from Covid was how quickly the colleges, particularly Ayrshire College—I have to mention it—adapted to the circumstances in which they found themselves. It is a credit to the staff and students how quickly they responded and adapted to the new online world in which they lived. It was almost sprung on us overnight. There are some fantastic examples of that and you mention a couple of them in your briefing, Auditor General, but you also talked about the equalities impact, which Sharon Dowey mentioned, too.

Will you tell us a little about the experience with online learning? Will you tell us about the positive way that the colleges embraced the online world and the ways that they tried to address the clear impact that it was having in making inequalities even worse?

**Stephen Boyle:** The pandemic is all of the things that you say. As we have said on a number of occasions about the drive for innovation that the

pandemic brought about, some organisations responded better than others in changing the way that they delivered services. That is true of Scotland's colleges as well.

Carolyn McLeod can come in to support the committee with some of the examples that we have in the briefing, but first I will cite a reference to the assessment of Scotland's colleges that was made not by us but by HM inspectors from Education Scotland that remote and digital learning was developed at pace and in a number of different practical ways. Therefore, validated evidence exists to say that colleges responded to support students. That is really welcome.

I remember the round-table session that the committee held last year, when you took evidence from us and the witness from the National Union of Students gave some examples of where remote and digital learning had worked well and others of where it had remained challenging. That, of course, is influenced by people's individual circumstances: the support that they receive from their colleges and what their home environments are like. Inevitably, that will mean real variability. However, the validation from Education Scotland about the pace at which change took place is welcome.

You mentioned inequalities and some of the variability, so I will pause for a moment and invite Carolyn McLeod to cover that.

**Carolyn McLeod:** I touched on some of the points about inequalities in my earlier response. A key step that the SFC took in the circumstances was to focus on funding to ensure that digital poverty did not inhibit students engaging.

The pandemic has shone a light on mental health issues and the importance of appropriate support for mental health. You can see from one of the case studies in the briefing that most colleges have tried to introduce some sort of mental health support for their students. Although that does not necessarily link with digital innovation as such, it is a reflection of the recognition of the importance of supporting students in that way to help them to continue with their studies at college.

**Willie Coffey:** We all agree that the digital platforms that were available were a huge boost to everyone in the sector, particularly the students. Why was there such a fall-off in completion rates if remote learning was embedded and working successfully? Were there other factors behind it?

**Stephen Boyle:** It is hard to say that that was the case everywhere. The witness from the National Union of Students said that whether people were able to adapt to remote learning depended on the environment that they were in. I refer to some of the points that Carolyn McLeod

made. Even if someone had remote learning access from their college, whether they were able to access it would depend on the circumstances that their household was in. Whether they had caring responsibilities or health issues also contributed to some of the drop-off rates for course completion.

That goes back to the earlier point about the need for individual colleges to know more about, and have better analysis of, why people do not complete their courses. That quality of data allows them to inform the choices that they make about how they deliver learning in the future.

We recognise that the issues with digital access were not unknown, and we touched on that in the briefing. We mentioned the investment of £5.7 million that the SFC made to support digital access and said that it will provide a further £2.9 million to help with digital access and learning. There is funding available, so that needs to be married up with analysis of the factors that meant that some students had challenges in completing courses.

09:45

**Willie Coffey:** Do you think that colleges will keep the door open to continuing to deploy in an online environment? Those are important lessons for us to learn. It is a big worry that, because of issues with inclusion and exclusion, students are not able to exploit the digital world, which will inevitably mean that more students might leave or that there will be more demand from them to return to college to complete their course. We do not know which way things will go, but do you think that colleges will keep their doors open to the online world and retain the best of it?

**Stephen Boyle:** I will speculate, if I may. Those in the college sector might be best placed to share their intentions with the committee but, for me, it depends on the course. Scotland's colleges deliver many practical courses that will require an in-person arrangement, but that applies less for other courses, so there are competing variables. Other variables include the college estate, financial pressures and income opportunities, and we have to marry up all of those.

However, the experience that students get is fundamental, and that leads me to my final point on the matter, which is that it is vital that colleges talk to their students about the experience that they want to get from learning. An understanding of the reasons for successful completion of courses and data from students who did not complete their course is needed to inform future strategy for learning environments.

**Willie Coffey:** My final point is a follow-up to Sharon Dowe's question. There is bound to be a

knock-on effect on the skills pool that is available to us if more students head for university and fewer complete their college course. Throughout the Covid pandemic, we heard that there were still opportunities in certain sectors that were struggling to recruit. For example, the hospitality sector had a huge problem with recruitment. That problem actually predated Covid, but it got worse during it. Are we looking at a skills issue that should worry us, and what would your advice be to the sector to try to address it?

**Stephen Boyle:** You are right, Mr Coffey—you have heard about that. At the round table that I mentioned, you heard from colleges about the role that some of them are playing. You mentioned skills, and the point that stuck in my mind in that regard was about the acute pressures on the social care sector. We heard that some colleges are responding to those pressures by tailoring their courses to support the skills gap that exists in the economy.

That matters, and it goes back to the overall role of the Scottish Funding Council and its prioritisation, as well as the Government's response to the SFC's recommendations on the principles and priorities for the sector. It is about academic learning in itself, but it is also about the contribution to economic requirements, which are changing depending on the skills that are required in different sectors. In the briefing, we make the point that we are keen to see progress in 2023 on what Scotland's college sector will look like and what its priorities will be. That will be an important milestone.

**The Convener:** Do I discern from the briefing and what you have just said that there is a sufficient level of urgency on the part of the Scottish Funding Council and the Scottish Government to implement the recommendations that were made publicly in, I think, June 2021?

**Stephen Boyle:** You can see from the briefing that we are looking for that to move at pace so that the sector is clear on its role, purpose and priorities. We will see some of that work in May next year and, later, at the end of the summer, we should see the connections between the work that Scotland's colleges do and the overall national outcomes, through the national impact framework. Those are important milestones, because it is important that that thread exists between public expenditure, outcomes and the role of individual public bodies. We are looking for progress on that over the course of the consultation, which will take place for the rest of this year, through to the completion of those documents during 2023.

**The Convener:** We move to questions from Craig Hoy.

**Craig Hoy (South Scotland) (Con):** Good morning, Mr Boyle. I will take up the convener's point in relation to the improvement plan and the expectations that it places on colleges. After that, we can maybe look at forward capital expenditure plans and tie up a couple of loose ends in relation to estate maintenance.

First and foremost, your briefing highlights a number of actions that the Scottish Government and the SFC must take to provide clarity and support for the long-term improvement plan in the sector. In your view, at this stage, have the Scottish Government and the SFC provided enough guidance to ensure that colleges are fully aware of the expectations that are—and will be—placed on them?

**Stephen Boyle:** As I mentioned to the convener, we are keen for that work to move at pace. Last year, the SFC undertook its review of the college sector and made a number of recommendations to Government. We will now see the consultation over the course of the remainder of 2022. The expectation is that the Scottish Government's long-term purpose and principles for the further and higher education sectors will be in place by May of next year, followed by prioritisation through the national impact framework. Clearly, the absence of those will influence the choices that individual colleges will make. The language that we use around pace and the need for clarity is evident in the paper. We look forward to those documents and that process being completed, because they feel really important.

In the briefing, we refer to some of the progress on other aspects that have been looked at. Regionalisation is one of the components of the work of Scotland's colleges, and one of your fellow parliamentary committees, the Education, Children and Young People Committee, is also looking at the success of regionalisation. However, some of that progress is stalling in areas where there have been regional boards. In particular, Glasgow is still grappling with an alternative model, and that is not helpful in the current context. We are looking to see clarity about successor arrangements, in relation to effective governance, clarity of outcomes, impact and that connection to the national performance framework.

I will pause there, because Carolyn McLeod might want to say a bit more on that.

**Carolyn McLeod:** Again, it is just a case of trying to move forward with that work as swiftly as possible. Of course, having clarity about the operating context, the structure and the framework will help with planning for the future and ensuring sustainability while continuing to deliver. I am not sure that there is much more to add to that.

**Craig Hoy:** Obviously, Audit Scotland's evidence suggests the very tight financial arrangements that colleges will face. Are the expectations realistic or will they just add more pressure to an already overstretched resource allocation?

**Stephen Boyle:** The expectations have to marry up, to a degree, with the financial realities that Scotland's colleges face. We have talked about the fact that the sector anticipates that its overall financial sustainability position will be a deficit, before a return to a smaller operating surplus. There are real variables in the inflationary pressures that the economy is facing, as well as the wider fiscal context under which Scotland is operating. All of that has to be taken into account with the expectations for individual colleges. Ultimately, it is about the experiences and outcomes for Scotland's students who are attending college. The picture is evolving, but those competing factors have to be married up.

**Craig Hoy:** In "Scotland's colleges 2019", you recommended that the SFC and the Scottish Government

"agree and publish a medium-term capital investment strategy that sets out sector-wide priorities".

That is yet to be published. Are you confident that work on that strategy is on track? When can we expect to see a finalised plan?

**Stephen Boyle:** Mark McCabe might want to say a bit more in a moment. As we note in the briefing, an infrastructure strategy is planned for the autumn of this year, and it is our understanding that that is in progress and will be published in the next few months. We await the strategy with interest and will take a keen view on its contents as it relates to the overall structure, strategy and plans for the sector.

**Mark McCabe:** We made that recommendation back in 2019, primarily on the back of concerns that we had about underinvestment in the college estate. Exhibit 6 of our briefing quotes the estate survey that the Scottish Funding Council commissioned across the sector in 2017, which showed that there was a backlog maintenance issue of just more than £360 million across a five-year period. That was only the backlog; there is also the on-going life-cycle maintenance on top of that, but capital funding was falling well short of that.

We made the recommendation to make sure that there was clarity about the priorities for the sector and what was needed. Obviously, there has been a delay in reaching that; the past couple of years have impacted on progress, and will inevitably have changed some priorities as we see different models of learning and different demands. Some new campuses have been built,

but there is still a shortfall in the capital funding that has been made available to maintain the estate.

We hope that the infrastructure strategy that the Auditor General has just referred to, which is due shortly, will set out how the estate will be developed going forward and how it will fit with the ambitions and expectations of the sector and with the models of delivery that will be expected to be in place.

**Craig Hoy:** It is obvious that prioritisation will be an issue, but it is evident that there is a significant shortfall in relation to backlog maintenance. There will also be the requirement to make sure that the estate meets net zero targets. Are you concerned that the capital funding shortfall—historically and in future—could undermine the delivery of education through the safety of the estate, and how concerned are you that the big capital expenditure that is required to meet the net zero target may not be achievable given the on-going tight framework that exists throughout the sector?

**Stephen Boyle:** We need to wait to see the contents of the strategy before passing judgment. We have not had any insight into it, but we absolutely expect backlog maintenance and net zero expectations to be included.

To refer again to the resource spending review, it is clear that the future of the estate across all public bodies is part of the Government's thinking about its contribution to net zero and fiscal sustainability across the piece.

We expect that all that will be covered in the infrastructure strategy, and at that point, as part of our work on the college sector in the year ahead, and on individual colleges, we will take a view on what that means for their operations.

**The Convener:** I have a final question to put to you, on something that you have already alluded to, which is the fact that the Parliament's Education, Children and Young People Committee is conducting an inquiry into the regionalisation and restructuring of the college sector. Have you given or will you be giving evidence to that committee?

**Stephen Boyle:** We understand that the committee's evidence taking concluded at the beginning of May, and we await its conclusions and findings. I think that it will be a helpful contribution, especially, as we have mentioned, because the Government is considering the role, priorities and principles of the sector and how they connect with the national outcomes. We look forward to reading the committee's report, and we will of course factor that into our work for the year ahead.

**The Convener:** We have had discussions in the context of the section 22 report into South Lanarkshire College about what the point is of regional boards and whether the structure in the sector is too top heavy, with the Scottish Funding Council, regional boards, college boards, principals—now principals/chief executive officers, as many of them describe themselves—vice principals, assistant principals and so on. There are some big questions there, are there not, about whether the management and governance of the sector are as effective as they could be?

10:00

**Stephen Boyle:** There are fundamental issues there, and as we mention in the report, some of the regional boards have struggled to come up with alternatives while recognising that the status quo is less than satisfactory in dealing with all those issues. From our perspective, it is therefore helpful that the Education, Children and Young People Committee has embarked on its review of regionalisation. We keenly await the recommendations that will come from the report and anticipate that they will inform the Government's plans for the future of the sector.

**The Convener:** Thank you very much. That concludes our questions. The evidence session has raised important issues, as I said earlier, about the financial state of the college sector in Scotland in 2022 and whether it is delivering the outcomes that we all want to see for students.

I thank the Auditor General, Mark McCabe and Carolyn McLeod for their evidence; it has been very helpful, and we shall consider our next steps.

I close the public part of the meeting.

10:01

*Meeting continued in private until 11:28.*



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