Public Audit Committee – Written Response – October 2026

Introduction

College Employers Scotland (CES) welcomes the publication of Audit Scotland's 2026 report on Scotland's colleges and the discussion of its findings during the Committee's evidence session on 24 September 2026. We also welcome the opportunity to contribute to the Committee's scrutiny.

Audit Scotland Report – Scotland's Colleges 2026

Audit Scotland's report highlights a number of significant challenges facing the college sector. These include:

- A **collective £5.6 million deficit in 2024/25** across Scotland's 19 incorporated colleges – up from £1.9m in 2023/24.
- **Five colleges needed a cash advance** from the Scottish Funding Council (SFC) in the same year – three more than 2023/24.
- The sector has **cut its workforce by 13%** since 2019 to reduce costs – compared to a 12% increase across the devolved public sector in Scotland.
- **Student numbers dropped by 40,000** (15.9%) between 2022/23 and 2024/25. However, the proportion of students successfully completing courses rose in 2024/25, with 95% of students satisfied with their college experience.

It is a real credit to staff that, despite growing financial pressures, colleges have still increased the proportion of students who successfully completed their courses; they have also supported a high proportion of students into positive destinations. However, despite every effort to protect the college offer, a reduction in 40,000 college students over two years is the wrong direction of travel for our sector and our economy.

24 September Evidence Session: The College Sector Workforce

Key trends

We agree with Audit Scotland's observation that staffing reductions through voluntary redundancy have been significant and applied across the college sector workforce. We also agree with its observation that savings generated by these reductions have been largely consumed by staff pay rises, as well as by increasing National Insurance and pension costs. Staff costs are the largest single component of college expenditure and have grown since National Bargaining and harmonisation were introduced. CES analysis in 2024 found that, between 2017/18 and 2021/22, staff costs increased by 23%. This compares with growth of 16% in total expenditure and only 12% in income. Over the same period, recurring staff costs increased from around 65% to 69% of expenditure and from 67% to 74% of college income.

CES' analysis also found that Scottish colleges devoted a higher proportion of both income and expenditure to staffing than the comparator college sectors examined elsewhere in the UK. In addition, we note and recognise the 2026 Audit Scotland report which highlights that, despite reductions made to the college workforce, staff costs in the year 2024/25 still accounted for two-thirds of college expenditure (67 per cent).

Staff pay levels since the introduction of National Bargaining

CES's analysis in 2024 concluded that college pay awards since National Bargaining was introduced have generally been equal to or above the Scottish Government's Public Sector Pay Policy (PSPP), particularly for lower-paid employees. Of the nine academic years examined, five produced more favourable increases for employees at the bottom of the college pay scales than the relevant government policy benchmark. The most recent pay deals also compare favourably with the current PSPP, which sets out a 9% pay envelope over the three-year period from 2025/26 to 2027/28. Under these agreements, college lecturers received a 4.14% pay award in 2025/26, with further increases of 3.75% in 2026/27 and 3.25% in 2027/28. Professional Services Staff received a 4.25% increase in 2025/26, followed by agreed uplifts of 3.4% in 2026/27 and 3% in 2027/28.

It is also impossible to discuss workforce costs without referencing industrial relations throughout the period of National Bargaining. These have often been strained, negatively affecting college staff and, at times, learners. It is noted that the college sector experienced industrial disputes and/or industrial action in almost every year between 2014/15 and 2023/24. There has, however, been a marked improvement throughout 2025 and 2026, supported by a refreshed National Recognition and Procedures Agreement. This has contributed to multi-year pay agreements being reached for lecturing and professional services staff without industrial dispute.

The importance of Scottish Government support

Financial support from the Scottish Government has been instrumental in securing pay agreements without significant adverse effects on colleges in recent years. Partial support was provided directly for the Professional Services Staff pay deal in 2025 and indirectly through the 2026/27 Scottish Budget allocation for the Lecturing Staff award agreed this year. Nevertheless, institutions remain under pressure because longer-term funding has not kept pace with rising staff costs.

Audit Scotland reported in 2024 that college funding had fallen 17% in real terms since 2021/22, with staffing representing approximately 70% of college costs. By 2025 it reported that the real-terms reduction between 2021/22 and 2025/26 had reached 20%. There has been a financial improvement thanks to the Scottish Government allocating £721 million to colleges for 2026/27, a cash increase of 9.3%. However, Audit Scotland calculates that overall college funding remains over 7% lower in real terms than in 2022/23.

A shrinking workforce

Historically, colleges have managed funding pressures through workforce reduction measures such as voluntary severance. Based on current forecasts, a staff reduction of 667 Full-Time Equivalents (FTEs) is projected over the period from 2024-25 to 2027-28, equating to the potential removal of 6.6% of FTE staff employed in the sector. In April 2026, the SFC reported the college workforce in 2024/25 at 9,775 FTE, which is 340 FTE or 3.4% lower than the previous year and around 1,080 FTE or 9.9% below 2015/16 levels. The latest Audit Scotland analysis sets out the contraction even more starkly: the college workforce declined by 13% between 2019 and 2026 compared with a 12% increase in staffing across Scotland's devolved public sector.

Such staffing decreases – which carried restructuring costs of £8.1m in 2024-25, with forecast costs of £4.4m in 2025-26 and £2.2m in 2026-27 – are significant. However, they have not been enough to offset growing staff costs linked to national pay deals. Indeed, in 2025, the SFC explicitly identified the deterioration in financial sustainability across the sector as being driven partly by "increases in pay inflation agreed through National Bargaining exceeding savings from staff restructuring", alongside self-funded severance costs and other reduced income. Pensions and employer National Insurance contributions have also added to the pressure.

Moreover, the scale of previous workforce change means that the scope for further staffing reductions is increasingly limited. The SFC has warned that additional shrinkage is "expected to have a significant impact on the student outcomes and experience, quality and volume of teaching, campus closures and colleges' ability to provide the skills their regions need". It also reports that some colleges can no longer afford voluntary severance, and that voluntary departures are harder to secure because of previous rounds of restructuring. In turn, colleges have anecdotally highlighted that staffing reductions at the scale already observed could have a negative impact on the student experience.

Exploring workforce reform

The long-term sustainability of Scotland's college sector will require thoughtful workforce reform in the context of ongoing financial pressures and the Scottish Government's wider ambitions for public service transformation.

Colleges remain committed to maintaining high-quality learning and recognise the vital contribution of lecturers and professional services staff. At the same time, they need sufficient flexibility in workforce planning, deployment and development to respond effectively to changing learner needs, employer demand and wider economic priorities. This is not about moving away from the principles that have served the sector well. National Bargaining and Fair Work remain fundamental to attracting, retaining and supporting the skilled workforce that colleges require.

However, it is also important to recognise that arrangements developed in one context may require review as circumstances change. The labour market is evolving rapidly; expectations of education and training continue to shift; and colleges must be able to adapt accordingly. Ensuring that workforce structures and arrangements remain fit for purpose will therefore be an important consideration for the sector's future sustainability.

Scotland needs a constructive, evidence-led conversation about how workforce sustainability can best be achieved in this changing environment. To support that discussion, we have commissioned Dr Michael Smith, an independent expert with extensive experience in the tertiary education sector, to undertake research exploring how the college workforce might evolve. This will complement the Scottish Government's College Sector of the Future programme.

We hope the research will identify practical options for workforce transformation and provide a robust evidence base to inform future decision-making, helping colleges remain financially sustainable while continuing to deliver the skills, training and knowledge that Scotland's economy and communities require. We look forward to updating the Committee on the progress and findings of this work.

Job Evaluation

Background

In 2018, a comprehensive job evaluation exercise was initiated with the aim of ensuring that all professional services staff jobs are fairly remunerated based on the details of their job description and the specifics of their role. However, since the project's inception it has been hampered by delays and complexity. In 2023 it was paused due to a lack of confidence in its viability.

Under a national agreement, new grades deriving from the National Job Evaluation exercise should apply from 1 September 2018. This date, therefore, marks the time from which any back pay may be due to staff, meaning the financial implications are significant. The Scottish Government has previously committed to backdating any costs to 2018.

Ensuring Job Evaluation is robust

An SFC review is now underway to ensure lessons are learned and future implementation is robust. This commenced in October 2026 and is expected to report in early 2027. We welcome this approach and believe an independent review is critical to fully understand what has hampered the job evaluation exercise and how it can be reinitiated. We note our 2024 response to the predecessor committee, which identified a number of key issues that we believed had contributed to the delay. These include the lack of a shared objective, governance challenges, process design flaws, and technical and resource limitations.

Following the conclusion of the SFC's Lessons Learned exercise, and subject to the recommendations on project remobilisation and the release of money, we are ready re-commence the job evaluation project. As noted in the Audit Scotland report, we have established a Job Evaluation Project Board, with staff and management representatives, and are keen to develop a robust business case that is informed by the learning from the SFC evaluation.

We want to reassure the Committee that colleges are committed to resolving the issue of job evaluation for professional services staff promptly and equitably. We recognise the importance of providing certainty to support staff and colleges on this issue while safeguarding the financial sustainability of the sector.

Conclusion

Audit Scotland's latest report makes clear that colleges are at a hinge point. Even with the welcome uplift in the 2026/27 Scottish Budget, real-terms funding reductions since 2021, together with rising staff costs, continue to threaten colleges' stability and effectiveness.

With staffing accounting for the largest proportion of expenditure, and limited scope for further staffing reductions, workforce reform and flexibility will be essential to sustaining high-quality provision across colleges in the years ahead. Progress with Job Evaluation for Professional Services Staff is also a key part of that agenda, helping to build a fairer, more transparent and strategically aligned workforce.

College Employers Scotland is committed to supporting the collaborative discussion and evidence-based analysis needed to deliver progress in both areas and strengthen the long-term sustainability of Scotland's colleges.

College Employers Scotland
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