OFFICIAL REPORT
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Education, Children and Young People Committee

Wednesday 18 June 2025

Session 6

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EDUCATION, CHILDREN AND YOUNG PEOPLE COMMITTEE
21st Meeting 2025, Session 6

CONVENER

*Douglas Ross (Highlands and Islands) (Con)

DEPUTY CONVENER

*Jackie Dunbar (Aberdeen Donside) (SNP)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)
*Miles Briggs (Lothian) (Con)
*Pam Duncan-Glancy (Glasgow) (Lab)
Joe FitzPatrick (Dundee City West) (SNP)
*Ross Greer (West Scotland) (Green)
*Bill Kidd (Glasgow Anniesland) (SNP)
*John Mason (Glasgow Shettleston) (Ind)
*Willie Rennie (North East Fife) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Joanna Campbell (Glasgow Kelvin College)
Angela Cox (Colleges Scotland)
Clare Haughey (Rutherglen) (SNP) (Committee Substitute)
Vicki Nairn (University of the Highlands and Islands)
Professor Wayne Powell (Scotland's Rural College)
Andy Witty (Colleges Scotland)

CLERK TO THE COMMITTEE

Pauline McIntyre

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education, Children and Young People Committee

Wednesday 18 June 2025

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Douglas Ross): Good morning, and welcome to the 21st meeting in 2025 of the Education, Children and Young People Committee.

The first item on our agenda is a decision on taking business in private. Does the committee agree to take in private item 4, which is consideration of a legislative consent memorandum?

Members *indicated agreement.*

The Convener: Joe FitzPatrick is not with us today, and so I welcome Clare Haughey, who is attending as the substitute member.

Colleges (Financial Sustainability)

09:30

The Convener: The next item of business is to take evidence from a panel of witnesses on the financial sustainability of Scotland's colleges. I welcome to the meeting from Colleges Scotland Angela Cox, chair of the college principals group, and Andy Witty, director of strategic policy and corporate governance. I also welcome Joanna Campbell, principal and chief executive of Glasgow Kelvin College, Professor Wayne Powell, principal and chief executive of Scotland's Rural College, and Vicki Nairn, principal and vice-chancellor of the University of the Highlands and Islands. I welcome you all to the committee.

I will start off with Mr Witty and Ms Cox. At the start of the year, we had ministers in front of us to discuss the budget, and they felt that the budget that the Scottish Government delivered was good for Scotland's colleges. However, Colleges Scotland had told the committee that the budget was

"deeply disappointing for Scotland's 24 colleges",

that

"the sector's call for greater investment had been overlooked",

that

"This shortfall will have far-reaching implications for Scotland's economic recovery"

and that

"this funding cut poses significant challenges."

Who is right? Is it Colleges Scotland, who said all that, or the ministers who said that this was a good budget for the college sector?

Andy Witty (Colleges Scotland): Good morning. I would take the committee back to Audit Scotland's "Scotland's colleges 2024" report, which showed a 17 per cent real-terms reduction in funding over the past three years. I believe that its next report is due out in October and, given the real-terms reduction since then, I suspect that the figure will now be around 20 per cent, which means £1 in every £5 being removed from the college sector.

That is on the back of the fact that, when it comes to the level of funding between different parts of the education system, colleges get less per head than any other part of the system.

It is important to remember that colleges are about educating people to grasp the opportunities of work. They are about skilling up, reskilling and

people returning to work, which helps the economy, and helps individuals out of poverty.

The opportunities are there. Only yesterday, at a workshop that I was at, we heard about the £230 billion of potential investment in Scotland. At the recent Scotland 2050 conference, which took place just this week, we heard about the massive skills gap. We are therefore looking to gain stability for the college sector, and then sustainability, so that it can help young and older people to grasp the opportunities, in order to help the economy, and to help lift people out of poverty.

The Convener: I should have said that we have a big panel and a lot of members. I therefore ask people to be succinct with questions and answers. I will also not expect everyone to answer every question.

The Cabinet Secretary for Education and Skills told this committee that the funding in the budget provides "adequate resources" to Scotland's colleges—she agreed with that statement. Does Colleges Scotland agree with the cabinet secretary that the current budget that you have been given is adequate?

Andy Witty: We want to see some of that 17 per cent real-terms cut reinvested back into the sector. We need to see more finance being put into the sector. However, we can also streamline different elements of the sector in relation to apprenticeships; in some of the frameworks, only 40 per cent of the funding that leaves the Scottish Government reaches the college that actually does the training. There are opportunities for additional finances to be brought in.

Audit Scotland's figures said that 11 of the 14 colleges that it had information for at the time would be in deficit and a recent report updated that figure to 17 out of 20 colleges being in deficit for that particular year. The Scottish Funding Council produced a report in January 2024 that showed a growing reduction in the amount of cash held by colleges and predicted a cash deficit that would mean that the college sector as a whole would run out of money by July 2026. Those reports paint a reasonably reliable picture of college sector finances, which are not in a good state.

The Convener: Ms Cox, what is the situation on the ground for college principals when budgets have been very tight and look to be getting tighter?

Angela Cox (Colleges Scotland): I will not repeat everything that Andy Witty said. Over the past few years, colleges have been saying that we are reaching a bit of a precipice and I would say that we are now over that precipice and are hanging on by our fingernails.

You are absolutely right that there was a 2 per cent increase, but that is a real-terms cut, and the lack of investment in colleges over the past five or more years has meant that we are now in a fragile state. We talk a lot about the learning and teaching budget, but must also think about our infrastructure, where there has been underinvestment for a long time. The quality of the student experience is a postcode lottery. There are colleges that have buckets to catch rainwater in their corridors and classrooms, and some colleges have had to close buildings because of a lack of investment to deal with reinforced autoclaved aerated concrete.

We cannot invest as we should in the skills that Scotland will need in the future, although we all understand what those are. We also want to achieve our net zero emissions targets. We recognise that we must change, and change rapidly, but we need infrastructure investment to support that transformation.

The Convener: That brings us nicely to a point that John Mason wants to make, so I will hand over to him before I continue with my questions.

John Mason (Glasgow Shettleston) (Ind): I am interested in capital funding because I assume that different colleges are facing different challenges with how much they have. Can you give us any figures about what is needed to deal with RAAC or with cladding repairs?

Angela Cox: We are waiting for the infrastructure baselining report from the SFC. Andy Witty might be able to give you further detail about that, but estimates from the sector rather than from the SFC suggest that colleges will need close to £1 billion to cover both the backlog in maintenance costs and the work that we need to do to reach net zero and transform our campuses.

John Mason: The SFC gave us some figures. For example, the figures for 2025-26 separate capital maintenance funding from money for new projects. The figures are £35 million for capital maintenance and £30 million for project funding. You were talking about £1 billion but those figures are nowhere near that.

Angela Cox: That is loose change compared to what we need.

Andy Witty: Angela Cox is right. We are waiting for a capital infrastructure investment plan based on the most recent baselining. That plan was due to be published earlier this year but we are still waiting for it.

The previous information that we had came from a college estates survey that was done in 2017 and recognised that about £360 million of investment would be needed just to make buildings wind and watertight. Those are the

buckets that Angela spoke about and those are the really poor conditions that some students are learning in today. I can also take you back to an Audit Scotland report that said there was a shortfall of £321 million in the investment in backlog maintenance that would be necessary just to make buildings wind and watertight.

John Mason: Some of that must be a wish list. It is not really necessary, is it?

Andy Witty: That 2017 report was split into five categories, with health and safety compliance essentially being the top category, followed by urgent need. The shortfall was in those higher categories, so this investment in the college estate is absolutely needed.

John Mason: Ms Campbell, I will take your college as an individual example, as we do not have everybody here. What capital challenges is your college facing?

Joanna Campbell (Glasgow Kelvin College): Good morning, everybody. We have an estimated £8.2 million historical cladding issue that we need to address on our Springburn campus. It is not RAAC; it is to do with the way in which the building was constructed. We are awaiting a final engineering assessment on that but, nonetheless, we are budgeting for how we address that shortfall over the next four years. At the moment, we have sold one of our campuses and we are in discussions with the Scottish Funding Council about retaining the capital receipts. Helpfully, the Minister for Higher and Further Education has secured provision for colleges to retain 70 per cent of the capital receipts from the sale of any assets. We are also planning to use money that we have in our arms-length foundation. Nonetheless, that leaves us with a gap of £5 million.

As I say, we are budgeting for that. It is highly unlikely that we will be able to make up that shortfall from our own resources. That will have an impact on the facilities that we are able to provide to our students and a significant impact on learning and teaching. We will not be able to make the improvements that we would like to make, because all our resource goes into trying to address the shortfall, which has come about through no fault of our own.

John Mason: Professor Wayne Powell, you mentioned financial transaction money in your submission. Will you explain how you were using that and why it got lost, or whatever it was?

Professor Wayne Powell (Scotland's Rural College): For context, the SRUC's estate spans about 150,000m^2. That is equivalent to a third, or 40 per cent, of the University of Glasgow's estate. So, we have an extensive estate. The transaction funding that we have obtained has supported many important improvements. Those are loans, and they have been vital for us to be able to sustain our infrastructure. That is against a backlog maintenance sum of about £70 million. For example, we have used our transaction funding to support the development on King's buildings. We have also used it to support developments in and other campuses across SRUC.

John Mason: Okay—I will leave it at that for now.

The Convener: Ms Nairn, as a Highlands and Islands MSP, I am keen to look at the issues around UHI, which obviously go wider than just the Highlands and Islands—we have recently seen a situation in Perth. There is no doubt that UHI and the colleges have been going through challenging and turbulent times. As the principal and vice-chancellor of UHI, what responsibility do you have for some of the issues that have arisen?

Vicki Nairn (University of the Highlands and Islands): Good morning, everybody. I have two roles in relation to my PVC role: I am the principal and vice-chancellor of the university partnership and I am also the chief officer of the regional strategic body, which effectively acts as a mini funding council that has responsibilities for managing the funding that comes from the Scottish Government and ensuring outcomes and performance.

We work closely with our academic partners, which are a mixture of colleges and research institutions. We also have one local authority partner, which is UHI Orkney. The university is responsible for academic quality, academic delivery and making sure that our learners get the right outcomes that we need. The accountable officers—the boards, principals and chief executives of individual colleges; it depends on which college we are talking about—are responsible for the day-to-day running of their college and ensuring that they meet things such as budgets and dealing with operational issues.

The Convener: Page 40 of your "Report and Financial Statements" for 2024 says that

"the University Court is responsible for assessing the group's and the parent institution's ability to continue as a going concern".

What responsibility do you have for the recent situation in Perth, where the principal has lost her job? Do you bear any responsibility for the situation there, or was that wholly a local issue that you could not have been aware of?

09:45

Vicki Nairn: The RSB has responsibility for ensuring that the colleges perform under a financial memorandum, which we have with all our

academic partners. In part, that holds the board to account in situations such as the one described at UHI Perth.

When we became aware that the principal had resigned—she tended her resignation to the board, not to us—we engaged with the funding council and the board to ensure that appropriate leadership and management were in place. Our role really involves monitoring, scrutiny and oversight, and we will put in special measures on reporting when necessary.

The Convener: Where is the monitoring, scrutiny and oversight before a principal has to resign? You knew that she was going to resign—there was a lot of focus on that—so you did not only know when the letter was handed in to her board.

What about the steps that led up to her taking the big decision to resign? She had worked with UHI for many years, so where was the scrutiny by the RBS and the court before it got to that stage?

Vicki Nairn: I did not know that Dr Cook was going to resign until she chose to do so—it was her decision. We regularly report on academic partners, financial positions and financial sustainability. Reports are presented to every UHI court meeting, where they are monitored and scrutinised, and they also go to the university's finance and general purposes committee.

In turn, those reports should be seen by the university's academic partners own boards of management, which should supply their own scrutiny. The board of management at an academic partner—say, UHI Perth—is ultimately responsible for that organisation's financial sustainability and for taking some of the decisions that are needed to ensure that it is sustainable.

The Convener: Are you saying that it was all the responsibility of the individual college, principal and board and nothing to do with you as principal and vice-chancellor, or with the RSB?

Vicki Nairn: I am saying that the primary responsibility lies with the board of the academic partner, which in that case was UHI Perth.

The Convener: What about your responsibility?

Vicki Nairn: Our responsibility is to work very closely with the board, provide an interface between the funding council, university and academic partners and support our academic partners. In the case of UHI Perth, we had a number of changes to consider, and the RSB needed to intervene to ensure that the Funding Council was actually appropriately briefed under our procedures. I also needed to work with the interim chair and the rest of the board to ensure that they had the resources that they needed in place to discharge their duties.

The Convener: So the RSB can intervene.

Vicki Nairn: We can.

The Convener: However, you did not intervene until the college reached a critical point. It was in a very difficult financial situation—it was reporting millions of pounds of losses—and the principal was on the cusp of resigning.

Vicki Nairn: As I mentioned, we regularly monitor academic partners' financial sustainability.

The Convener: When did you first see that there were problems at Perth?

Vicki Nairn: Perth is not alone because, as has already been said—

The Convener: I understand that, but I am looking at Perth at the moment and trying to understand the situation there. You have a very grand title and hold a very high office—with that comes responsibility, but so far you have put a lot of the issues on to the local college, principal and board. Some ultimate responsibility must lie with you and the RSB, must it not?

Vicki Nairn: The RSB is ultimately accountable to the Scottish Funding Council for reporting on colleges' performance and ensuring that they discharge appropriate due governance. Our engagement with UHI Perth has been a continual process. As part of our on-going reporting to the university court and its committees, we have—certainly since I came into post—been reporting on academic partner financial sustainability, including at UHI Perth.

The Convener: I was asking a more specific question: when were you first made aware of the problems that Perth was facing?

Vicki Nairn: Perth has faced sustainability problems for a number of years, and it has been in a deteriorating position over the past couple of years.

The Convener: What have you and the RSB done to resolve that?

Vicki Nairn: We have been working very closely with the college and the Funding Council. For instance, when the college needed its voluntary severance scheme to be approved, we worked with it and it made some changes to its staffing profile. We also placed a board observer, who provided some advice and guidance, on the college's board of management. However, the ultimate responsibility for the institution's financial sustainability rests with the board of management and its chair.

The Convener: You say that you have been working closely with the college. Given the situation that we now see at UHI Perth—with the savings that it has to make, and the loss of a long-

serving principal—would you say that you failed in seeking to help it? Did the RSB fail?

Vicki Nairn: No, I do not think so.

The Convener: Is it a success to be in the situation that UHI Perth is in?

Vicki Nairn: "Fail" and "success" are very black-and-white words when we live in a climate of a very difficult funding position. Perth and all colleges are trying to make ends meet with a real-terms reduction of roughly 20 per cent year on year. We work to one-year budgets—we are trying to do longer-term planning—and that is really difficult. The position changes all the time.

I would say that, in a very difficult climate, the RSB and all colleagues are doing the very best that they can—to keep the lights on, in some cases.

The Convener: Will you briefly explain what the top slice for the funding of the executive office is?

Vicki Nairn: I often think of how UHI was formed in terms of an umbrella, with the university overarching across the top and then the individual academic partners being formed as part of that.

In order to fund the university and the RSB, a top slice was taken. When we get the funding from the Scottish Funding Council, we take a figure that comes off there. It is a historical legacy position, which in my mind is very cumbersome and needs to be changed. The rest of the funding then goes to the colleges.

The Convener: "Cumbersome" in a way that the colleges can no longer afford it?

Vicki Nairn: The top slice in the university, in a declining funding climate, means that there is less money for everybody.

Because the university is driven predominantly by higher education recruitment and numbers, that is where our funding comes from. Any change to that means that all parts of UHI are squeezed, and UHI had a declining HE recruitment position up until recently.

We need a different funding model for UHI. We have embarked on a transformation journey linked to our 2030 strategy, which was launched in 2023, and we want to change the way that we operate collectively. The partnership wants to change the way that it operates, and part of that will be about having a different charging mechanism and a different way of calculating overhead costs.

The Convener: I will come back to the top slice.

You mentioned that HE was in a declining situation until recently. What are your current HE places and what are the projections for this year?

Vicki Nairn: We currently have around 5,800 places. Our higher education recruitment is mid-process right now, but our applications are looking positive. We are currently up by 18 per cent. Obviously that is applications, not enrolments, but we are putting a lot of effort into recruiting higher education numbers.

As you have heard at previous committee meetings, the position is tricky because of the impact of the loss of international students, which means that all higher education institutions in Scotland are chasing as many home students as possible.

The Convener: You said that the number was declining "until recently". I have seen figures that show that it was up at 6,500 a couple of years ago, and that it then fell to 5,500. I have now seen a paper that projects 5,360. However, you are saying that there will be 5,800, which will be an 18 per cent increase in applications. Are you saying that the 5,360 figure is wrong?

Vicki Nairn: No. I am saying that we are working with 5,800-ish—I think that the number is 5,834—in relation to our budgeting right now. I do not know whether you have the up-to-date figures. We are doing that process right now, but that figure would represent an 18 per cent increase.

The Convener: It will not be 5,360—you are confident on that.

Vicki Nairn: We are very hopeful that we will convert those applications into enrolments.

The Convener: But that figure is still down from 6,500 a couple of years ago.

Vicki Nairn: Yes, it is.

The Convener: You also said it had been declining "until recently". It is still declining.

Vicki Nairn: We believe that we have turned the corner and that we are increasing our HE recruitment. Certainly, applications would show that.

It is worth reflecting on the impact that the pandemic had on UHI. UHI lost a lot of market share during the pandemic, and it was not necessarily best placed to have a different strategy for recruiting students during the pandemic. We are therefore very much recovering from that. Once you lose a student, you continue to lose them for four years because of their HE cycle.

We are confident that we are recruiting. We have a lot of resources dedicated to recovering the HE position at the moment.

The Convener: I go back to the issue of the executive office and the top slice. What is the figure for what you get every year from these

colleges, which are struggling financially, to provide funding for your executive office?

Vicki Nairn: We take 35 per cent at the moment.

The Convener: So what is the figure—£15 million?

Vicki Nairn: It is round about—no. I will have to come back to you on that. I do not have the figure to hand.

The Convener: Personally, I like figures at this committee. You surely know how much your executive office gets. If it is not £15 million, is it £14 million?

Vicki Nairn: That is our total budget, and we take a percentage of that. I will have to come back to you on the figure.

The Convener: What do you mean? Are you saying that 35 per cent is not £14 million or £15 million?

Vicki Nairn: I will come back to you on the figure, convener. Thank you.

The Convener: What do you think it is, roughly? This is the money that you spend running your operation.

Vicki Nairn: Our total budget for the university is about £135 million, and the budget for the executive office is about £15 million—

The Convener: That is what I said. You told me that that was wrong. It is £15 million.

Vicki Nairn: Yes.

The Convener: Why did you tell me that that was wrong and that you did not know the figure?

Vicki Nairn: My apologies, convener. I made a mistake.

The Convener: That is quite a big mistake. You do have the figure available and you could have answered the question.

Vicki Nairn: My apologies, convener. I made a mistake.

The Convener: Of the £15 million, how much is for administration?

Vicki Nairn: I do not have the breakdown—

The Convener: Is it £8.5 million?

Vicki Nairn: I do not have the breakdown of those figures with me, but I am happy to provide them to you.

The Convener: I will press you again, because you said that you did not know the figure previously but you did. Could it be £8.5 million?

Vicki Nairn: I will need to check those figures and come back to you. I do not have the breakdown of all our departments with me.

The Convener: Is the figure for academic support £2.3 million, roughly?

Vicki Nairn: I cannot comment on that. I will have to come back to you with the exact breakdown. I would not like to give you the wrong information.

The Convener: Do you accept that academic support is also provided by the colleges so there is duplication? What you provide, through the executive office and the top slice that you take from the colleges, is also provided by the colleges locally.

Vicki Nairn: The university is responsible for academic quality. In the university, we provide services of academic quality and research quality, and we also have deans of functions, who work with our colleges to set the curriculum. At the moment, through the change programme, we are trying to understand whether there is any duplication and whether we can reduce costs in some areas. In our faculties, for instance, that involves understanding where there is overlap. Unlike more traditional universities, we provide both an HE and a further education curriculum and articulation between the two.

The Convener: There is duplication if the colleges provide academic support locally and you are taking money from colleges to provide a function that they already provide.

Vicki Nairn: We are mapping that at the moment to understand whether there is duplication. UHI and the colleges have a very complicated structure—one that I had not seen before I came to work at UHI. The structure is a legacy of how UHI was formed, and it has worked but it needs to change, which is why we have embarked on our transformation programme.

The Convener: Is it right that you have laid off about 40 staff in the executive office? Colleges have been losing staff, so you have led from the front and lost about 40 staff.

Vicki Nairn: I cannot remember the exact number, because it has just changed, but it is about 50 or 52.

The Convener: What has been the saving as a result of that?

Vicki Nairn: It is about £5.5 million.

The Convener: Therefore, your £15 million figure was previously more than £20 million.

Vicki Nairn: No. It depends on the other costs that are coming in all the time, but the savings that we have taken out of the executive office in the

past couple of years total about £5.5 million. That covers a mixture of staffing and non-staffing elements. From memory, the staffing element accounts for about £3.8 million.

The Convener: You think that you saved £3.8 million, and we will see that from your accounts—there will be a £3.8 million reduction in the executive office staffing funding.

Vicki Nairn: I do not know how it will be portrayed in the accounts, but there will certainly be a note in the accounts with explanatory information.

The Convener: What is the overall deficit that is forecast for UHI?

Vicki Nairn: Do you mean for the partnership as a total?

The Convener: Yes.

Vicki Nairn: It is about £11 million.

The Convener: It is between £10 million and £11 million, and the executive office takes in £15 million from the colleges. Is it correct that, if the colleges did not have to lose that top slice, UHI would not be in financial deficit?

10:00

Vicki Nairn: Potentially, but there are lots of other factors in relation to why colleges are in deficit, and we have referred to some of them, such as the RAAC figures and infrastructure costs. As you know, because it is in your region, we have a tertiary university that covers two thirds of Scotland's land mass, so that university has to be funded somehow. You fund it either separately or through another mechanism. As I said, the legacy mechanism is the top slice. I, for one, feel that it is an old legacy and that it is not effective. We all have to be leaner in the future, and we all have to try to eradicate duplication. We are actively doing that now. We recently started four pathfinder projects on key areas, including student recruitment, shared services, income generation and all those things, to understand how we can be more effective and efficient.

The Convener: I would love to go into some of the issues relating to the transformation board, because there are challenges with that, too. I have been given a lot of this information by your colleges from across UHI, because they do not feel that they have had answers to these questions. What we have heard today is that there is a lot more to be done. I welcome your commitment to look at the top slice, because the issue has been raised in the chamber with the minister, particularly in relation to Perth, but all your colleges provide a significant amount of money to the executive office. From what they tell me, they are not seeing a return on that, so I welcome the fact that that will be looked at.

Bill Kidd (Glasgow Anniesland) (SNP): There might be a number of viewpoints on this or they might all be very similar, but, with regard to the financial stresses and strains on colleges and universities, how well are colleges and universities working together—or how well could they work together—nationally and regionally? UHI and SRUC have unusual models, but could those models be developed and spread across the country? Would that help?

Angela Cox: We need to recognise the diversity of the sector and the landscape of Scotland, so there is no single model that would work across the piece. However, there are good emerging models of collaboration. Joanna Campbell might want to speak about the greater Glasgow collaboration. There is some potential collaboration work in Edinburgh and the south-east, which would allow colleges to address the needs of the economy in an efficient and joined-up way. In Ayrshire, which is a single-college region across three local authorities, we work closely with the University of the West of Scotland, and we are working increasingly closely with the National Manufacturing Institute Scotland and the University of Strathclyde to address the needs of Ayrshire.

Therefore, there are different pictures across the landscape. However, for all those things to be addressed, we need investment to support the transformation, because, at the moment, this is all being done at the side of a desk, with a lack of project funding and investment to make the transition.

Joanna Campbell: Glasgow is the fifth largest city in the UK and is the economic powerhouse of Scotland. The three colleges in Glasgow provide 22 per cent of all college provision in Scotland, and, taking into account the wider Glasgow region, we see that the six colleges provide 44 per cent of college activity in Scotland. Therefore, it stands to reason that whatever happens in Glasgow has a significant effect on our economic prosperity.

The difficulty for us in Glasgow is that our price per credit is among the lowest in the sector, so we are left wondering why the Scottish Government would not invest in one of the largest areas in Scotland to the extent that it invests in other areas, such as those with rural colleges. I say that having come from a rural college.

In Glasgow, we work together closely across the region and plan the curriculum together to address different aspects of what we do, but we each have a different focus. In my college, for example, 40 per cent of our student population have postcodes in the 10 per cent most deprived areas according

to the Scottish index of multiple deprivation, which means that the work that we do has a direct impact on the life chances of those individuals. That includes tackling issues such as child poverty, social mobility and widening access. In contrast, a college such as the City of Glasgow College will focus very much on higher national provision, international provision and broader tertiary education.

I am trying to say, in response to your question, that colleges in Glasgow work together closely and ensure that whatever we do is planned and co-ordinated well.

Professor Powell: Your question is timely, Mr Kidd. In my view, we should act boldly—it is time for real innovation. In relation to the theme that the convener highlighted at the start of the meeting, we are talking about shifting the dialogue and culture from funding to investment and about how we deliver what Scotland needs.

On the specific question of working together, in 2019, SRUC and UHI produced a proposal document that looked at two things: maximising the full potential of natural capital in Scotland to support skills in the economy, and potential new working relationships and a potential unification, or merger, with UHI. That document was produced by Accenture—if it is appropriate, convener, I would be happy to share it with the committee.

I take the opportunity to respond briefly to Mr Mason's question. Of the £34 million in capital funding that colleges get, SRUC receives just over £170,000, which is why the transaction funding is so important.

Bill Kidd: That is useful to know. Do the current circumstances make it more likely that the number of colleges that are working with their nearest university will grow? Would that help both institutions to build their capability in the current difficult financial circumstances?

Professor Powell: First, we have to be strategic. We have spent a considerable amount of time looking outside Scotland—for example, at how agrifood universities have been built around the world. If we look at Scotland's comparator countries, we see that the Scandinavian countries, New Zealand and the Netherlands all have powerful, world-leading agrifood universities as a result of innovative partnerships and new ways of collaborating that allow funding and income to be diversified, with businesses and communities, in completely new ways.

This is an important moment in time. It does not necessarily mean that colleges will disappear, but we certainly need to reimagine the way in which we work together and create new, innovative mechanisms to support our approach to looking forward and meeting the new needs of the economy and of learners. It is a moment for us to grasp the nettle.

Angela Cox: The question of colleges working with universities is an interesting one. Across Scotland, technical skills are required, and the bulk of those are provided by colleges. Colleges provide the technical skills that are required by, for example, engineers, key workers, hospitality and tourism workers and net zero technicians who work on wind turbines and offshore wind.

We absolutely need the innovation and research that come from our universities to support new technologies, but the workers, in the main, come from colleges in Scotland. When appropriate, we should be working with our universities, but we should not make the assumption that that will somehow increase the sustainability of the tertiary sector or address Scotland's economic needs.

Bill Kidd: I see that Andy Witty would like to say something.

Andy Witty: I just want to build on Angela Cox's point. In relation to the £230 billion of potential investment that I mentioned, about 80 per cent of those jobs involve high-end technical skills, which is where the colleges come in. There will be collaboration—I can see examples of that already in colleges around Scotland. However, the point about funding for that is key. Colleges were going to receive transitional funding of £26 million, but, before they got that, it was taken back to fund the teachers' pay award. That £26 million would have been transformational in enabling colleges to pivot in some of the ways that they would need to in order to support the new skills and the new curriculum that are needed.

Another area that worked really well for colleges was the flexible workforce development fund—again, that has been withdrawn in the recent budget. It worked well because the funding was given outwith the credit model, which is quite an inflexible model when colleges are wanting to engage with business, particularly for short or bespoke courses. Colleges used that funding really well. It was about not just utilising the funding itself but leveraging in additional funding once new companies engaged with the college and realised what they could provide in the way of help.

Those types of funds are important in enabling colleges to pivot and make the most of the opportunities that are coming in future workforce planning.

Bill Kidd: I will bring in Vicki Nairn, because I pointed specifically to the circumstances at UHI. How does collaboration work for you?

Vicki Nairn: It can work really well and there are a lot of positives, especially when we can

come together. Some of the markets are quite different. Some of our FE students are very much looking to learn a trade and go into the workplace as a plumber or a heating engineer, or they might want to be a project manager. Degree students, unless they want something very specific, perhaps on the medical side, are often looking for a different type of experience—they want to get a degree or undertake a graduate apprenticeship.

Collaboration works well when we can offer a holistic curriculum and when it allows for articulation from FE through to HE and up to research and PhD level. We have some great examples of that in UHI. In particular, we see quite a lot of people who, having left school feeling that they were not academically gifted, want to come back to lifelong learning in later life.

However, colleges and universities are quite different worlds and the funding does not necessarily translate into a combined model. At present, FE funding, HE funding and research funding all involve very different income and funding streams. We have been talking to the SFC about how we can get some flexibility. Certainly in our regions, there is overdemand for further education—we are currently actively turning companies away. Based on current figures, we think that we could overprovide by between 10 and 15 per cent.

In higher education, we currently have underrecruitment, so the ability, within a region, to vire those funding streams would be incredibly helpful, because that would link to the success and the sustainability of the region and regional economic development outcomes.

It would be helpful if we could link any future model to economic development outcomes, so that we could ensure that all our colleges and universities were really supporting our communities and our businesses and industries, either by training the workforce for the future or by contributing to research and innovation. UHI and SRUC are already in that space, but, as we have talked about, there can be high levels of duplication when we glue organisations together, because they have existing structures. The art will be in developing an agile model that offers an innovative solution.

Bill Kidd: There were some positive messages from you all there. Thank you for that.

Ross Greer (West Scotland) (Green): Good morning, everyone. As part of the committee's evidence taking on the Tertiary Education and Training (Funding and Governance) (Scotland) Bill, one of the more controversial bits of evidence—as you will probably have heard—was when one of the managing agents for apprenticeships confirmed that they take a 40 per cent cut of apprenticeship funding. That came after the college sector had given evidence on the bill.

Although we are now finished with hearing stage 1 evidence on that bill—and today's discussion will not contribute to our report on it—it would still be useful to have on the record the position of colleges on how money in the apprenticeship system is best used. I would specifically like to hear your reaction to the confirmation that managing agents are taking a 40 per cent cut. There have been suggestions that it might be as high as 60 per cent in some cases.

I will start with Andy Witty for a sectorwide position.

10:15

Andy Witty: According to the figures for some of the frameworks, for every pound that leaves the Scottish Government, around 40 per cent is received by the colleges that undertake the training. There will be managing agents and others in the 60 per cent. There is an opportunity to streamline that and bring more moneys into the college sector, even within the current overall education and skills budget.

We support the Tertiary Education and Training (Funding and Governance) (Scotland) Bill because, although the devil is always in the detail, we see opportunities in apprenticeships being funded through the SFC, forming one collaborative funding model. There would need to be some work on that, but it provides an opportunity for additional resource to come into the colleges, which is critical, given the evidence that you have heard this morning and previously.

The important thing to think about regarding the tertiary education bill is where we would be if it did not happen. We would have the status quo, which is 17 per cent real-terms cuts and only 40 per cent of apprenticeship funding getting to colleges in some frameworks, and things would not change. The tipping point that Angela Cox referred to earlier keeps hurtling towards us—if we are not already past that point. I think that it was James Withers who talked about being on "a burning platform". To deal with that, we need to do things at pace, and things need to change. We are supportive of the tertiary education bill.

Ross Greer: There is a significant amount of money in the system to fund apprenticeships. I would be interested to hear the position of principals and institution leaders. Is there a better-value way to deploy that money, whether through reform of the relationship with managing agents or through more direct funding? Andy Witty has laid out the sector's position, which is that that is best done through the SFC.

Angela Cox: I will not repeat what Andy Witty said. We need to think about the wider delivery of apprenticeships, not about their siloed provision. We could deliver far more apprenticeships in Ayrshire, but we find that, because of the cap on apprenticeship numbers, particularly in engineering, there are students who cannot get an apprenticeship place and are staying in college on full-time courses, and employers have workforce shortages, because they cannot get the apprenticeship provision. Unfortunately, some of the investments that have been made in Glasgow have accelerated outward migration, as people are seeking apprenticeship places. Young people are leaving our region.

Having one funding allocation provides an opportunity for colleges to deliver on the needs of their region. I can see a future where we deliver more apprenticeships and less classroom-based learning for prolonged periods.

The debate on managing agents is an interesting one. We need to think about the value added of managing agents. There is some value in having them, particularly for small colleges or colleges that feel that they do not have the capacity to deliver the full range of services for apprenticeships. That is not the case in Ayrshire, but I know from colleagues that we are debating that.

Our three managing agents are delivering or leading on infrastructure-heavy, resource-heavy frameworks. Our current resource that goes into colleges offsets some of the real delivery costs of colleges in delivering that provision.

Ross Greer: I have another question, which is on industrial relations, but if Wayne Powell wants to come in first, that would be great.

Professor Powell: I will be succinct. There has been a 50 per cent increase in our modern apprenticeships. It is really important that we ensure that the tertiary education bill that is being shepherded through the Parliament includes more flexibility and that it is more aligned to regional skills needs to drive productivity. There is a waiting list for our land-based engineering and greenkeeping courses, so it will be important to find ways to accelerate that provision. It will also be important to be more agile and responsive to regional needs. Certainly, those are growth areas in Scotland's needs.

Ross Greer: I see that Vicki Nairn and Joanna Campbell want to come in, and they should feel free to do so. For the sake of time, I will condense my second question, because I think that the discussion is useful.

Vicki Nairn: To echo others, certainly in the UHI regions, there is huge demand from the sector and there is also a change in the way that some of our young people want to learn. They want to learn a skill or trade but they also want to earn money while they are doing that so that they can get started in life. Apprenticeships, whether they are modern or graduate, will be critical and will be a growth area for us. The more funding that there is for that and the more innovative ways that we can do that through viring funding streams will be really helpful. As Professor Powell said, we want to grow in the big areas of construction, engineering and healthcare and link with companies, and continue to do fantastic work to feed the workforce in the pipeline.

Ross Greer: To oversimplify, can you give me a yes or no answer as to whether the tertiary education bill will improve the situation?

Vicki Nairn: I hope so.

Joanna Campbell: I am supportive of the bill. I do not want to repeat what others have said but, essentially, it is about providing greater opportunities for students and apprentices, as well as employers. My comment is about pace. The bill is working its way through its various stages and there is wider reform in the sector, but we need to see a bit of pace being injected into that work and it needs to link to the economic transformation across Scotland.

Finally, Mr Greer mentioned the 40 per cent cut that some managing agents take from apprenticeships. I recognise that, but I emphasise that some colleges are already managing agents and have found a way to work through that, which means that the money that is available for apprenticeships is going directly to the prospective apprentices and employers.

Ross Greer: That is really useful—thank you.

I will condense my second question, which is on industrial relations in the college sector and which we could talk about all morning. I am interested in your thoughts on National Joint Negotiating Committee reform and the lessons that have been learned from the exercises that we have been through. There have been a number of exercises that have reflected on the NJNC structure, process and outcomes. In the latest exercise, there was a really long delay to get collective responses, and there has not been much progress since then.

I am interested in any brief reflections, not on why everything has happened, but on how we can move forward. Would structural reforms to the NJNC help, or are the issues that would ease the industrial relations challenges separate to that? Ultimately, it is about finances, but I am interested in the machinery of industrial relations and whether improvements could be made.

Andy Witty: There is no representative from College Employers Scotland on the panel, who

would be best placed to speak to that question. We can provide the committee with additional information following the meeting, if that would be helpful. In general, positive progress has been made in college industrial relationships recently, which will help to set the scene to make some of the changes that will be required.

I do not know whether any of my colleagues want to add to that.

Joanna Campbell: I am happy to add to that. I was a member of the minister's lessons learned group, which he set up to try to progress some of that work. One of the recommendations of the Strathesk Re:solutions report, which talked about how we might improve the national bargaining machinery, was that we seek an independent chair of that machinery. We are still keen to ensure that we progress with most of the recommendations from that review but, at this point in time, we have not been able to do so in a manner that we would like.

Ross Greer: Is that because of a lack of unanimity from everyone who would need to be around the table?

Joanna Campbell: Yes.

Ross Greer: Thanks very much. Unless anybody else is particularly keen to come in, I am happy to leave it there, convener.

Pam Duncan-Glancy (Glasgow) (Lab): Good morning to the witnesses. Thank you very much for joining us, and thank you for your submissions and for answering the questions so far.

I want to ask about the new funding model and the historical credit approach. Numbers of enrolments in colleges have reduced from 308,000 in 2007 to about 179,000, which is quite a drop. However, we know that we still have skills gaps, which we have spoken a bit about. Can the witnesses make any comments about why that might be? Is there any unmet need?

Angela Cox: I will start, and I am sure that others will want to come in. I think that it was two years ago—Andy Witty will be able to confirm that—that the SFC dropped the threshold for credits that had to be delivered in colleges. We need to be really clear that it did so because colleges could not afford to pay their utility bills and keep the light on at the height of inflation. That has meant that colleges have redesigned their curriculum. As we have heard, the real-terms cuts continue to happen.

Increasingly across Scotland, we hear from colleges that there is demand for college places that we are unable to fulfil; however, we also have a responsibility to try to balance the books. In my case, when we have raised a request for additional funding with the SFC because we have overdelivered, we have been told that there is no flexibility in the model—although I understand that it must balance the books, too.

Last year in Ayrshire, which is a single college region, we turned away 764 students after interview. A third of those students wanted to study science, technology, engineering and mathematics subjects and some of the others perhaps needed more of a bespoke programme—which we would historically have been able to accommodate, before we lost about a fifth of our funding over the past few years. That does not take into account the students who applied and whom we were not able to interview, and the unmet cost of delivering new provision that really meets the needs of our region. We are at a critical point, and colleges across the country would say the same thing.

Pam Duncan-Glancy: What happened to the 764 people who were not offered a place?

Angela Cox: Unfortunately, as I said, some of those students have been lost to Ayrshire because they have gone elsewhere. They will either have accessed an apprenticeship program or not be engaged. The statistics for Ayrshire show that we have the highest levels of inactivity across Scotland. Increasing numbers of young people are not engaged, and 40 per cent of the students who come to us come from SIMD10 and SIMD20—20 per cent are from SIMD10. So, we are in a difficult place.

Pam Duncan-Glancy: That paints a difficult picture, particularly for your region. Joanna Campbell, can you say something in the same vein about Glasgow?

10:30

Joanna Campbell: Angela Cox talked about the credit flexibility. The minister set up the tripartite group about 18 months ago and one of the first things that it looked at was flexibilities around how we use our credits, which is our core funding. A 10 per cent leeway was afforded all the colleges.

The sector had been pushing for a change to our funding model for a number of years to allow us to address some of the financial pressures that we are under, but it was also seen as the first stage of the migration to a new funding model. On one side, there was the flexibility that was afforded, but it did not suit every college. As Angela Cox described, if a college has unmet demand, it is not able to maximise those flexibilities.

To give a bit of context, my college used some of those flexibilities and we reduced our credits by 9 per cent. The result was a 14 per cent reduction in our student head count. We had to do that

because of the financial pressures that were facing us, but the result is that we have, roughly speaking, three applicants for every college place. We are seeing higher demand for places in some subjects, predominantly STEM subjects, and we are not able to provide college provision for those individuals.

There are also huge pressure points around English for speakers of other languages provision, and that is not just in my college, but right across Glasgow. For example, we put on an extra ESOL course a number of weeks ago and, within 24 hours, we had 700 applicants for 24 places. We have had funding from the Scottish Funding Council to provide more ESOL courses, but it is never enough, so there is a real pinch point around ESOL provision in Glasgow.

Pam Duncan-Glancy: That is a huge number of people to turn away. You talked about three applicants for every place. Does that mean that you are turning two out of three people away?

Joanna Campbell: Yes. I go back to the statistic that I gave earlier. About 40 per cent of our students come from SIMD10 and SIMD20 postcodes. Glasgow Kelvin College operates in the north and the east of Glasgow, which has the most deprived communities in Scotland. We are turning away students who are looking to improve their life chances by coming to college.

Pam Duncan-Glancy: You said that you asked for a different funding model, but what was offered as a result was, in effect, a cap on places. Is that about right?

Joanna Campbell: Yes. It suited some colleges, but not everybody. The problem is that changing the funding model for the whole college sector, as the SFC has described, means that there will be winners and losers. Ultimately, the sector is pushing for a review of all post-16 funding, because there are inequalities in that funding. For example, in the school system, in the senior phase, £7.5k is afforded per learner, whereas in the college system it is £5.5k. Andy Witty will correct me if I get this statistic wrong, but in the university sector, it is £8.5k per student.

Pam Duncan-Glancy: Those figures are pretty stark. Turning two out of three people away from a college, particularly in a region such as Glasgow that needs the skills, is counterintuitive and a dereliction of responsibility, particularly to the students whom you serve.

How does the model recognise the differences in the student population across colleges, such as the higher proportion of students from SIMD10 and SIMD20 areas or students with additional support needs?

Joanna Campbell: I will defer to Andy Witty on that point.

Andy Witty: To confirm, the 10 per cent reduction was for the year 2023-24—Angela Cox is right. Inevitably, that means that there will be fewer students. It was done to help colleges financially. In general, as funding reduces, the impact is that there will be fewer students, which is what we see in the data. I go back to my first point about individuals need to be able to grasp the opportunities. We are hearing stark evidence about colleges, despite their best efforts, not being able to do that.

That links to the funding model. We have been asking for fundamental change to the funding model for a number of years. Some flexibility has been afforded to the sector and some changes have been made. We see it as a work in progress, and we want there to be more change. More fundamentally, we need to look at what it does and how it delivers.

If apprenticeships fall under the SFC, as proposed by the tertiary education bill, there will be an opportunity to look at how they are done. Recently, the SFC has removed some of the premiums that used to be paid. It has grouped colleges into six different families based on size, and colleges will pay a new premium that is the same for each college in the family. The SIMD premium is one of the elements that was removed. As Joanna Campbell has set out, there are implications for individual colleges.

I will keep my comments at a sector level, rather than discussing individual colleges, because I represent all colleges. Our paper for the tripartite group earlier this year called for a fundamental review. We need to give colleges certainty, autonomy and clarity around funding—there are various elements in each of those things—to enable them to take hold of the regional opportunities that are presented to them. I mentioned the flexible workforce development fund earlier, which is an example of where colleges were able to grasp regional opportunities. We want the funding model to continue to change so that it presents opportunities for colleges.

Pam Duncan-Glancy: Would that model look more like the flexible workforce development fund than the credit model, or would it look like both?

Andy Witty: I do not want to prejudge where that might go, but I suspect that there will need to be a bit of both. We need a currency that we can measure, but having some percentage of the funding as cash to allow strategic decisions to be made would help colleges to do some of the pivoting that I spoke about earlier and, potentially, the transformation, although I would not like to prejudge the proportions or anything else about

the potential direction of the discussions. You will be aware that the SFC has a new chief executive, who has said that she is keen to engage early in conversations about future year changes to the funding model. We will take that at face value and we look forward to working with the SFC on this and being engaged in the conversations around potential changes earlier in the process. That will be really useful.

Pam Duncan-Glancy: I appreciate that.

Angela Cox: We need to remind ourselves that the current funding model was established to cater for students being in college for long periods of time and studying what we would call long, fat qualifications. The future is about microcredentials—short, sharp interventions—and the foundation-level skills that some of our students will still need, as Joanna Campbell and I have both said, where people are coming from the most disadvantaged areas in Scotland.

The World Economic Forum has just published a document that states that 60 per cent of all people who are currently working will have to be upskilled or reskilled in the next five years. That is the bread and butter of colleges. At the moment, we are unable to deliver it because we are stuck in a funding model that is, for efficiency, based on having large classroom sizes in college premises for a long period.

As we think about the future and the skills transition that our economy requires, we need to stop tinkering around the edges and take a fundamental look at, and a strategic approach to, how we fund colleges in future. Obviously, we will always ask for more money but it is not necessarily about a huge amount more funding—it is about flexibility in the funding to enable colleges to respond to the needs of their regions.

There is another point that we have not highlighted, which is not unique to Ayrshire—every region of the country will have a similar but different story. We talk about the current demand and the lost opportunity but we are not thinking about how that will be funded. In Ayrshire, there is a shortfall of 1,500 in skilled workers in aerospace. A recent deal will bring another 300-odd jobs to aerospace, so that means that there is a shortfall of 1,800 workers. There are also 3,500 jobs at Hunterston. Those are all new jobs and we are unable to satisfy the demand at the moment. Therefore, to go back to your original point, there has to be a mechanism to resource colleges—perhaps not for ever—to upskill the workforce to deal with that inward investment.

The areas of highest deprivation in Scotland outside of north Glasgow are in North Ayrshire. The levels of inactivity are huge, so there is a real opportunity to transform the region with that inward investment. However, we need to find a mechanism to enable colleges to prepare the future workforce and get them into those jobs so that local people get the local jobs.

Professor Powell: Thank you for the question, Ms Duncan-Glancy. Angela Cox has addressed the point that I was going to make.

SRUC spans the university and college sectors. There are some key principles that it is worth reminding ourselves of if we step back from the matter. One is that the funding model must be learner and student-centric to provide the agility that we need for the future.

Given everything that you have been hearing and that is in the Scottish Parliament information centre report about the changes in demographics, the changing expectations of learners and the changing needs of the economy, we need to have a system that is forward looking, is student-centric and allows universities and colleges to vire money at different points to support the student. The last thing that we need is to keep learners and students in college or university longer than they need to be. We need to get them out into the workforce as soon we can to drive productivity and to fulfil their ambitions.

I will take one more minute to say something about SRUC's approach to that. Degree-awarding powers for SRUC are fundamental to that. If we take the example of higher national certificate and higher national diploma delivery, we have some very successful courses in agriculture and horticulture. There are other courses in other disciplines, such as conservation and biology, where such a qualification is less appropriate and less attractive. Therefore, by having degree-awarding powers, we can blend some of that differently and allow students to come in, move out to work and come back again, in a much more agile system.

To answer your fundamental question, the model has to meet the learner needs and the needs of a future society and economy, particularly in relation to the demographic changes that are taking place, which are pretty stark for Scotland.

Pam Duncan-Glancy: The Government said that it is optimistic that colleges can meet the economic demands of the future. I am optimistic because colleges are doing some incredible work, including in my region. City of Glasgow College and Glasgow Clyde College are doing great work but the fact is that I feel that there is a dereliction of responsibility on the Government's part.

I ask for short answers. Are you optimistic that the Government is giving you the support that you need to meet the challenge?

10:45

Andy Witty: I am optimistic that the colleges can meet the demand if certain actions are taken. In a previous appearance at a different committee, I used the word “shackles” in relation to the situation of the college sector, which got a reaction at the time. However, I have noticed since then that the minister has talked about unshackling the sector, so there is recognition that further changes are needed. Some of that relates to the need to address the 17 per cent real-terms reduction in funding—you would probably expect me to say that. There needs to be a clear commitment to halt the decline in funding and to find a way to stabilise and sustain the college sector so that it can take on these opportunities.

Another area, which we have touched on, is streamlining for apprenticeships, and the flexibilities and funding model around that.

Parity of esteem is something that James Withers picked up on in his report. We have already heard the figures on the funding not being comparable to the funding for higher education, so something needs to be done to address that. That will not be addressed in a single year, but a message could be sent that it needs to be addressed and that we need to work towards that over a number of years.

There is also a point about cross-party support. As we go towards next year’s parliamentary election, there is a key opportunity for all parties to include support for the college sector in their manifestos so that it will be able to take those opportunities. The narrative from politicians is also key, and part of that is the narrative that colleges should be there so that everybody has an opportunity to benefit from them at some point in their lives.

Joanna Campbell: I am also optimistic. The Cumberford-Little report, which was published in 2000, clearly articulated the college sector’s role in supporting economic growth. That report still stands today. The minister has set up the tripartite alignment group—beyond its initial focus, which I described earlier, some of its work is very much about trying to find a route forward.

To go back to my earlier point about pace, lots of reforms are in train, but because of the crisis that we face as a sector, we need to see more pace on those. The funding model is an example of that: we asked for pace, but the pace has been slowed down. My takeaway message in response to your question is that we need to see more pace injected into this.

Pam Duncan-Glancy: Thank you.

Miles Briggs (Lothian) (Con): I want to pick up on some of Angela Cox‘s comments, because it is important to look at other funding models. I do not have the figures to hand, but I think that Ayrshire College has attracted around 40 per cent of all private sector investment into the college sector. That probably relates to the partnership with Prestwick airport. There is a great opportunity for the sector to build relationships, through which a different model could be developed.

We see the pressures that the education sector, especially the university sector, faces at the moment, and money is not available from the Government. Where do the panel members feel that there could be a different funding model? The sector obviously sits within the education portfolio, but would the economic development portfolio be more appropriate? We must think more radically about where the college sector needs to be regarding its parity of esteem with the university sector, and not have a situation where 100,000 places have been lost and it is seen as the poor relation. My conclusion is that after 18 years, that is what has happened.

Angela Cox: Looking at my accounts, I do not recognise the figure of 40 per cent of private sector investment.

Miles Briggs: Sorry, that figure relates to all the private sector investment that has gone into the college sector—most of it has gone to Ayrshire College.

Angela Cox: Okay. I will need to go back and check that.

We have a fantastic opportunity, because colleges are regionally focused. We are all over the regional economic strategy in Ayrshire, particularly the opportunities around Prestwick. We have managed to secure funding from the Ayrshire growth deal to carry out what we call skill boosts. That means taking people who are either unemployed or perhaps employed in a different industry and giving them the basic skills that they require to get a job in the aerospace sector within 10 weeks. We need to do more of that, but it is timed funding, so it will run out.

When we start thinking about growth deals version 2, or whatever they might be, or inward investment deals, we should consider how the skills needs will be met and the infrastructure that is required. There are two things there. First, it is about colleges’ capacity to deliver the boost that is required for inward investment, and secondly, it is about the changing need for technology and capital investment.

If we had the flexibility in our funding to vire between apprenticeships, short courses and classroom-based delivery, that would support us in delivering against the economic priorities of our region. We have another great example with XLCC. We created a bespoke pre-apprenticeship

programme and then supported the apprenticeships coming through from it, but it is difficult to sustain that when money is increasingly tight.

Joanna Campbell: I am pleased to say that, through the work of the tripartite group, we are looking at alternative income streams, but they present a number of challenges. As Angela Cox has described, a lot of good work has happened across the sector, such as the work in Glasgow around supporting the financial services industry. You will have noted the very recent £2 million investment in maritime skills. Those are good examples of where the college sector can support the economy and where we can look at alternative income streams.

However, you have to balance that against a number of factors. There are risks associated with that, and each college board will have a level of risk appetite. We need to be innovative in our risk taking, but we are not all in the same place on that. The other factor that you have to take into account is our overhead. To generate £1 million of additional income, we would need to generate a further £2 million to cover our overhead. Those are just ballpark figures, but we have a significantly higher overhead than other private training providers, However, I am pleased to say that we are looking at that. Yesterday, we had a workshop with the Scottish Government and Skills Development Scotland to look at a model that has been implemented in the north-east.

Miles Briggs: I will bring in Professor Powell in a second.

You touched on the north-east. I met with North East Scotland College quite recently to have a conversation about the fantastic new campus that it is opening and about net zero and the just transition. It will have to stick to its credit numbers, though, so the resources for any new courses that it will offer will have to come from the original courses, which seems ridiculous, given the skills shortages. I believe that there was recently a conference in the Highlands where representatives of the renewables sector said, “These are all the shortages in skills that we know are coming, but very little is happening.” I do not know why, given the skills shortages that we are aware of, the Scottish Government is not providing additional capacity or bringing the private sector in to help fund that using a different model, because that just seems like common sense.

I will bring you in now, Professor Powell.

Professor Powell: Thank you, Mr Briggs, and I apologise for being impatient. I would like to make a couple of points, and I know that Vicki Nairn also wants to come in, so I will be succinct.

We need to take responsibility for the case for change and build up a narrative around it. An example that I can give you is the establishment of the UK’s first tertiary vet school. That is a disruptive, more radical model, to use your own vocabulary, but it also builds on the investment that we get from the private sector in our vet diagnostics and analytical services. By pooling that, we can create a disruptive model that can drive something that is important for Scotland’s rural economy and farming by generating vets who will remain in the rural sector and providing resilience. It will also widen access.

Vicki Nairn: A really clever piece of work could be done to bring together the regional economic development requirements, the national economic strategy, and skills and workforce demand in the next five or 10 years. Miles Briggs referred to the recent conference that we had up in Inverness that was organised by SDS and was supported by UHI, Highlands and Islands Enterprise and Inverness and Cromarty Firth Green Freeport, among others. It was an incredibly successful event that was attended by all the main employers in the area. They are keen to engage, because they want a pipeline of workers whom they can match to their requirements. We are working to meet that.

The challenge is that the funding is not necessarily flexible enough to help us to do that. As I said earlier, we are already exceeding our FE credit target. We could do a lot more—a number of institutions will be saying that. It is about how the funding is cut to give everybody a share. If we collectively, as sectors, could understand and have engaging dialogue with the people who are planning the economic strategies for Scotland, that would be incredibly helpful, because we could then start to do all the clever things that will play into that. If we are talking about transformation, how do we move that forward? How do we create new courses and a new curriculum that satisfies the workforce demand in an enabling way that drives economic prosperity in our communities?

We have a lot of island and rural communities that are doing incredibly well but want to do more, especially with aquaculture and green energy. How do we feed those pipelines? We are looking at alternative models, but those take a little bit of time to develop. Employers want to see the skills now, in the next one to two years, and we want to meet the demand.

Andy Witty: I referred to the recent Scotland 2050 conference, which looked at what we want for Scotland by that year. It did not take long for the massive skills gaps that people anticipated to come up. We have talked about the level of inward investment, and I think there is a real opportunity that can be taken, but that needs a strategic approach—it cannot be about driving an increase

in commercial income for colleges for the sake of it.

I remind everybody that, on average, 75 per cent of colleges' funding across Scotland comes from the SFC, so colleges need to derive additional income anyway, just to keep the lights on for their day-to-day activities.

I think that about 6,000 welders will be needed in the Highlands and Islands. We know that companies are bringing in foreign workers at the moment. There is capacity in colleges to train them, but the credit system does not allow them to do that. That ties into the earlier discussion about getting the right funding model, the right partnership and collaboration so that it can be done.

That is not only through the education portfolio but through the economy portfolio, too, and colleges can deliver on some of the health policy drivers in some areas as well. It is about taking a multistream approach and looking at different areas.

11:00

Miles Briggs: I have been really taken with the success of school-college partnerships, whereby younger people can get a taste of college. The committee has been doing work in relation to barriers to education and supporting people who are furthest away from training opportunities. We know that we have lost more than 100,000 college places. What does the picture look like for offering opportunities to people who are not going to university and are not necessarily getting one of those college places? From what we have heard, it sounds as if the situation with credits has not changed or is only getting worse. The models that we have developed, which have been successful in getting people into university, will need to start with the college opportunities. I do now want to put words into your mouth, so what does the picture actually look like?

Andy Witty: Many people will use college to go on to university; many others are looking for a college qualification that will take them straight into the workforce.

The wider issue of poverty needs to be addressed here, because if somebody is not going to university or college and is not able to work, there are real challenges and consequences. Scotland has a good safety net for poverty, if I can describe it like that, but the Scottish Government's strategy for dealing with poverty is about getting people, through skills, into good jobs. We need to look through that lens to recognise why there is a requirement for investment in the college sector—it is so that people who find themselves in poverty through no fault of their own can grasp the opportunities that exist to help lift themselves out of it.

Angela Cox: We need to be mindful that, although we are still expected to deliver the same amount of activity to attract credits, the areas in which many, if not all, colleges have made efficiencies are around the wraparound support services that colleges provide to students from the most disadvantaged backgrounds—who usually have a good reason for not having been successful at school and for coming to college. Colleges provide students with myriad wraparound support services that allow them to thrive over a period of time and to go out and contribute successfully to the economy.

However, you will know that our mental health funding has been reduced and that those services are becoming more and more difficult to provide. The data on the students whom we were unable to support at Ayrshire College last year shows that some of them were in the margins; we were unable to deliver the wraparound support that would have allowed them to be successful.

Professor Powell: That is a really important point. In many ways, what we are dealing with here are intergenerational issues about self-esteem, confidence and ambition. To give an example, I was at a prize-giving event at SRUC Oatridge last Friday to give the national progression awards. We work with 350 schools, and those national progression awards—in this case, for horticulture—do exactly what I think that you have referred to, which is providing the optimism and hope that we really need to be generating in our young people.

Vicki Nairn: I want to pick up on the support for our students. An increasing number of students need not only high-quality mental health support and the wraparound support that colleagues have talked about, but access to what we would consider basic necessities, such as breakfast clubs and cubbies for personal care items and food.

I talked to a student at our nursing graduation last year who had a young family and had had some difficult circumstances. She needed to make the decision about whether to continue her studies and whether she was able to afford to live while doing so. She did continue her studies, but she was working two jobs, and without the student support that we offered her she would not have been able to continue.

There is a hidden element to that need and none of us is fully aware of how big it is. That puts an additional pressure on institutions to make sure that we are discharging our ethical responsibilities to look after our students. That is what we are here for—we are here for our students and to

ensure that they have the best possible experience when they are with us.

Miles Briggs: Andy Witty, do you have a figure for or an analysis of the clawback from the Government that the university sector is currently facing? I do not know whether individuals have that figure for their own institutions or whether there is a wider sector figure—that money is allocated to deliver education and the Government is asking for it back. What does that figure look like?

Andy Witty: We do not have that as a collective figure on behalf of the sector. It would be the Funding Council that would see the overall broad picture. There is a broad challenge around clawback when it is in-year: when budgets have been fixed and colleges have a lot of fixed costs for staff and buildings, clawback in-year is, by its nature, hugely challenging.

Miles Briggs: Vicki Nairn, do you have a figure that you can put on record?

Vicki Nairn: UHI does not have any further education clawback because we are overachieving. Clawback applies only when you have underachieved—for us, that is in HE. Over the past year and this year, our expected amount that will be recovered or clawed back by the Funding Council is close to £8.5 million. For some time, we have adopted a no-clawback position, because we would like to take that money and invest it to enable us to build up our institutions, in both the college and university sectors, to underpin transformation. That will mean that we can make the institutions better, so we can succeed more.

To date, the Funding Council has had a policy that it is pursuing recovery. There were a couple of years, as a result of the pandemic, in which it did not do that because it recognised that those were exceptional circumstances. So, we are in active dialogue. I know that Universities Scotland is doing a piece of work on clawback, at the request of the committee.

Professor Powell: We have provision for 32 students, which is probably around £234,000. The issue around clawback is how we can adapt quickly to the new student demand. We must bear in mind the cycle that it takes in order to get courses in place. Therefore, having some flexibility on clawback to adjust to new courses is really important. A good example of that for us is our new vet school with degree-awarding powers and some of the other courses that we are developing. Such change and evolution takes time, which is critical.

To emphasise my previous point, we do not want to be keeping students in colleges or universities longer than they need to be.

Angela Cox: I am not aware of any colleges in Scotland that have had clawback because, in the main, we are delivering or we are oversubscribed, or we are able to use the funding in a different way.

Miles Briggs: That is helpful. Any data that the sector can give us would be appreciated.

Willie Rennie (North East Fife) (LD): If the rest of the panel will forgive me, I want to direct my questions to Professor Powell and SRUC. I have a particular constituency interest and I am also interested in the wider organisation. Professor Powell, can you set out the level of deficit for the institution and why it has increased particularly over the past year?

Professor Powell: Good morning, Mr Rennie. It is nice to see you again. Last year, our deficit was £10.8 million, which reflects several things, such as the headwinds that all colleges and universities have been facing. It also reflects that we have been investing in areas across Scotland, some of which I have touched on, such as our innovation centres to drive regional economic growth and skills development and our new vet school. We have not had our accounts fully audited, but we anticipate that the deficit has been reduced to £5 million this year. Moving into this financial year, we anticipate that we will be close to breaking even and will, subsequently, move into surplus.

Willie Rennie: You are not subject to the same headwinds as a lot of universities, which I presume is because of the footprint that other institutions have in the international student market. I am keen to understand why you have been affected to such a great extent when you have not faced the volatility of the international student market.

Professor Powell: As you point out, it is in some ways counterintuitive. We have virtually zero international students. Having just obtained degree-awarding powers, we need to rebalance that in the future.

Since 2017, SRUC's income has grown by 17 per cent. Even last year, our income grew by less than £1 million. It is not only an issue of income; it is the costs that are associated with running a dispersed set of campuses, as I described earlier. Not only do we have six campuses, we have 24 consultancy offices and we have vet centres, so we have to address a number of pressures. At the same time, as I have articulated to the committee this morning, this is a time when SRUC and the wider sector need to adapt to new situations. In order to adapt, we have to invest into the future.

We are not in receipt of international student money. As you know, our income streams are almost equimolar: education funding comes from the SFC and two thirds of our income is research

and commercial income that comes from outside SFC. Therefore, we have a different portfolio and revenue stream. From memory, there are 74,000 international students in Scotland. Our plan is to access a small proportion of the international student market, because 1 per cent of the market—approximately 750 students—would be transformational, not only for our funding and revenue but for the cultural diversity that it would bring.

Willie Rennie: What I get from you is that the diverse estate and large number of buildings are large reasons why you have such a significant deficit.

Professor Powell: Yes, that is a big part of it. After people costs, our capital costs are the second major operating expense. I can provide the committee with a more detailed breakdown of that, if that would help. I do not have all the figures at hand.

Willie Rennie: The institution has existed since about 2012 or 2013.

Professor Powell: Our forming institutions existed for a long time before that.

Willie Rennie: Why does the SRUC have such a large footprint when it has existed for only 13 years or so? Why is the cost base still such a pressure on the organisation?

Professor Powell: It comes back to a fundamental question: what are the expectations of SRUC? It comes back to our mission, which was different in 2016. As you might be referencing, our position is to consolidate our campus estate in the central belt and Edinburgh. We decided to have a place-based mission, which I have led, in which we retain our presence on various campuses and drive a tertiary model while diversifying our revenue streams, as I alluded to earlier. That has been a conscious decision, because we believe that having a place-based mission is so important to the tertiary model and to developing and supporting anchor institutions and regional economic and skills development.

Willie Rennie: It does not feel like that in Cupar with the Elmwood campus.

11:15

Professor Powell: We have had many conversations about that, and I would be delighted to continue the conversation.

Willie Rennie: Good. To put the rest of the committee in the picture, in 2016, Fife College moved out of the main campus building. I think that that was a reckless decision, and it had a direct impact on your organisation. That happened in 2016 and the building has been half empty from then until today. You have now decided to close the building and you have told us that it cost £1.2 million a year to run it. Why has it taken so long to make a decision about the building when it was so expensive and had a detrimental impact on your finances?

Professor Powell: I will not make excuses about it, Mr Rennie, but over the period, we have had a number of issues that have contributed, including Covid and other factors. Fundamentally, the attempt to sustain all the courses at Elmwood, together with the running costs, proved to be impossible. We have now arrived at a decision to close the main building to ensure that we can sustain a presence in Elmwood. To give context to the committee, we are closing three courses that represent one discipline and we are retaining 18 courses across nine disciplines. The decision to close the building is regrettable but necessary in order for us to retain our place-based mission in Scotland.

Willie Rennie: The campus is a shadow of what it used to be. At its peak, we had about 2,000 students at Elmwood. There are now just a few hundred and many of the courses are run online, so a physical presence is not required in Cupar. For the staff and students in Cupar, it feels like a shadow of what it used to be, and they do not have confidence that the organisation has a positive vision for the future. From the beginning, we have been asking for clarity and a positive vision for what is next, but I think that there has just been drift. Over time, there has been a series of cuts, the farm was sold and attempts were made to sell the golf course. As a result of the indecision, the student accommodation has had to close because of its poor condition and that of the main building, and we are shrinking into the old Elmwood house, which is a tight space. That does not inspire locals, students or staff. I invite you to convince us at last that you are going to stay in Cupar with a positive vision for the future and that you will potentially look to grow opportunities. Cupar is a major agricultural centre, St Andrews is a centre for golf and there are many animal-based businesses in the community, yet there has just been a drift in the strategy and cuts.

Professor Powell: I fully respect your passion for Elmwood, which I share. I will provide a picture of our plans for the future. When we obtain degree-awarding powers in 2026, having gone through the various processes that we need to, we will be offering the first-ever degree programme at Elmwood, which will be in sustainable golf. You are right to point out that the course will be delivered through distance learning but, frankly, as we have all been saying, that is what the future will be. We need to adjust and adapt to what students, learners and employers need. Being in a

classroom all the time is not what we will have in future.

Secondly, a number of professional development programmes are being developed in ecological surveying to support data-literate students to support the natural economy. With our horticulture colleagues, we are developing a therapeutic horticulture programme, so there are a number of important developments. However, the balance of students on campus and those who are doing distance learning will change. The demographics in your SPICe report show almost a halving of the number of people in the 16 to 24 age group over the past 20 years.

If I may say so, Mr. Rennie, when I draw a comparison with where we have been able to invest in other parts of Scotland, one really important component of that investment is collaboration—in other words, shared purpose and working together. I would love to work with you to move that agenda forward in Elmwood. We recognise Elmwood as an important and essential part of our portfolio. Our board will be meeting there in September, and I welcome your presence at that meeting so that we can share some of our plans.

Willie Rennie: You will find a willing partner here, but there is some way to go to convince us. A vote of no confidence was held by members of staff who are affiliated to the Educational Institute of Scotland—not just the staff at Elmwood but those across the institution. They voted overwhelmingly to show that they had no confidence in the leadership of the institution. How have you responded to that, and what steps are you taking to restore confidence?

Professor Powell: Let me take that point head on. First of all, in my tenure at SRUC, I have always maintained strong and positive relationships with the three unions that we have. When the chair received the vote of no confidence on 19 May, which was a bank holiday, I immediately drove to Elmwood and met the branch secretary. Subsequently, the chair responded to the EIS union, and I followed that up and arranged several meetings with my senior colleagues and with the branch secretaries to address their concerns and to put in place actions associated with those concerns. Various things were associated with that, Mr. Rennie, one of which was Elmwood.

Secondly, in this conversation, we have to recognise the levels of anxiety in the sector at the moment. To go back to Mr Greer's question, our union leaders are, in many ways, at the pinnacle of that. I am not ducking my responsibility as part of it, but there is a sector-wide issue of anxiety among staff. We are committed to working with the unions as part of a constitution to take these areas forward. We are addressing those three or four points that were raised, including through engagement with our unions. Our unions are also on a board together with representation of students and staff.

Willie Rennie: I do not want to push the tolerance of the committee, but I will raise one other issue. The staff feel that you are more interested in higher education than you are in further education. I personally have seen that you were most animated when you talked about the new veterinary courses—the disruptive model that you spoke of earlier—and the degree-awarding powers that you have recently secured; congratulations on securing those. However, those who are delivering FE courses feel left behind. They do not feel that you care as much or are as passionate about FE. They think that there is just not the same passion from you about that, particularly in Cupar, where we have the home of golf on our doorstep and a very strong agricultural sector. They think that they are feeling the effects of that, with you investing £12 million in the veterinary facilities in Inverness, £2 million in the King's buildings that are at the heart of the University of Edinburgh and significant sums of money in Craibstone, while the FE side just feels left behind. Tell me why they—and I—are wrong.

Professor Powell: I would never dream of telling you that you are wrong, Mr Rennie. First of all, in leadership, you have to be self-aware, and if that is the impression that is coming through, I will clearly respond to that. However, to give you a little bit of history, I started life as a physical education teacher, so I have worked at all levels of education throughout my career. To address one immediate misconception, a vet school is not all about HE. I will leave with the committee stories of progression at SRUC. They include stories of students progressing from FE into HND and then into degrees and then being employed at SRUC and elsewhere. The same applies to students at the vet school.

I am passionate about a tertiary model. That is why I came to SRUC, and it is why I am appearing in front of this committee, because your role in shepherding this bill through Parliament is critical. I disagree that I am interested only in HE; I am interested in a tertiary system, which has to adjust and adapt to the future.

Willie Rennie: Thank you for answering my questions.

The Convener: I note that you did not ask me, as a former student, to contribute to that, but maybe my progression has not been as good as that of others who have gone through the Scottish Agricultural College and SRUC model.

John Mason: I will continue from where I was before.

Professor Powell, you said at one point that you were getting only £170,000—I think—from grants. I will pursue the point about the loans that you are getting; presumably you would rather have grants than loans. Are you able to get that financial transactions money because you are a university, whereas the college side would not be able to get it? Is that correct?

Professor Powell: We have been able to access transactions funding, which has been very helpful to us and which we have used to make a number of investments.

I am not sure about whether the college sector is eligible for that funding. However, we have been eligible for it, and we have been very grateful for the receipt of those transaction funding loans, which have enabled us to address some of the issues that Mr Rennie and others have referred to. They are loans, and we welcome that type of investment.

John Mason: Are colleges able to get financial transaction money?

Andy Witty: No is the short answer to that. There are technical reasons as to why the university sector can have it. We have asked about that, but it is not available to the college sector.

John Mason: I assume that it is because you count as being in the public sector, and such money has to go to outside bodies.

Andy Witty: Yes. It would go on to the Government books as, in effect, an additional loan, which it cannot do.

John Mason: Financial transactions money cannot do that. That clarifies that a little bit—that is helpful.

I will come back to Professor Powell on a minor point. I was looking at the accounts of all three of the institutions that are here today. I noticed that yours go to 31 March while those of everybody else go to July. Can you explain why yours go to March?

Professor Powell: That is a very good question. It is a historical position. We are in the process of changing our end of year to July, so that we are aligned to other HEIs. We are changing that historical position this financial year.

John Mason: That is good. That will probably make it easier for everyone.

The SRUC submission states:

"SRUC received support over two years from FY24/25 with a £5m advance of income, a deferral of £2m in FT loan repayments, additionally £8m of FT loans were repurposed to support immediate cash constraints."

One or two points in there struck me as a little bit unusual. Financial transactions money would still have to be repaid, even though you used it for short-term purposes.

Professor Powell: The transactions funding that I referred to in my submission is restricted funding. It is destined for a particular purpose. Last year, we were able to make a submission to the Funding Council to request that that funding allocation be converted from restricted to unrestricted funding. We made that submission and it went through the appropriate boards of the Funding Council to ensure that it addressed the specific requirements, and then it was granted last year.

John Mason: In answer to earlier questions, you were very optimistic that you were moving from a deficit to a surplus. Of out interest, who looks at the detail of that? As you may know, we have been involved with another university that assured everybody that it was cutting costs, but it turned out that it had not been. Are your audit committee, court and finance committee all actively looking at that kind of issue?

Professor Powell: They are very much so. Our board is engaged with that—the finance and estates committee, the audit and risk committee and the whole of the board. We have a very thorough process in place to ensure that our budgeting process is rigorously pursued. Indeed, we recently brought on new board members who have further finance, audit and risk skills.

11:30

John Mason: Ms Campbell, I was looking at your accounts, which are a wee bit scary. In August 2022, you had £11 million in reserves. You also have revaluation reserves, but if we leave those out, your restated income and expenditure reserves dropped from £11 million to £4 million in July 2023 and £1.3 million in July 2024. That is a concerning picture. I know that you are new to the institution, but where is the college going in that regard?

Joanna Campbell: You are correct. My predecessor gave evidence to the committee on the financial challenges that the college faced. In 2021-22, the board approved a five-year budget. At the time, we developed a college operating plan, knowing that we were going to have a £1.2 million deficit in the following financial year.

The executive team at the college, along with our trade union colleagues and the wider staff base, has worked tirelessly to reverse that position. In 2023-24, we generated a slight surplus; it should be borne in mind that colleges

are not allowed to carry surpluses over from one year to the next.

We have addressed the financial challenges that we faced by looking at our operating costs line by line and reducing them. We ran a voluntary severance scheme. Since 2019, we have reduced the workforce by just under 24 per cent—that was an on-going process. We have also looked at vacancy management and have sold the west end campus. As I mentioned earlier, we are in discussions with the Scottish Government about the volume of capital that we can retain from that.

We are in a better position from a cash perspective. Our liquidity is better than the liquidity of most colleges. We have gone from nine days' cash to 15 in 2024-25, so it is an improving position—

John Mason: Fifteen days' cash?

Joanna Campbell: Yes. That is not great, but it is better than the position that most colleges are in.

John Mason: That leads me on to a question for Mr Witty or Ms Cox. Is that a typical picture for colleges? Is there a danger that a college will go bust?

Angela Cox: I will give you a bit of context for Ayrshire College. By the end of this year—2024-25—the number of cash trading days will have come down to seven.

John Mason: That means that you have only enough cash to carry on for seven days.

Angela Cox: Yes. Because of some of the last-minute changes in funding that were made by the SFC, if we take no action in the next academic year, we will run out of cash by July 2026.

John Mason: Okay. Mr Witty, is that typical of colleges? Are they all in a similar space?

Andy Witty: Each college will be in its own unique position. I will take the committee back to the SFC report that was produced in January 2024, which forecast that, by July 2026, the sector as a whole would have a cash deficit of £4.2 million. That is the picture across the sector; each college is in a slightly different position in that regard. That will be the position if no action is taken.

Colleges are due to provide the latest set of financial forecast returns—FFRs—to the Scottish Funding Council at the end of this month. That will allow the SFC to see whether the trajectory that it predicted back in January 2024 is correct. The SFC has stated in previous committee meetings that it has been working in close engagement with a number of colleges—at one point, four, and at another point, six—on that. A picture is emerging of where the sector is at because of the 17 per cent real-terms reduction in funding over the past three years.

John Mason: Could a college get into the same situation as the University of Dundee, in which it has to come to the SFC and ask for a chunk of further money, or can we be sure that that will not happen, because there is a different way of doing things?

Andy Witty: I am happy for individual colleges to talk about that, but my understanding is that the SFC continues to have close engagement with colleges throughout the year.

John Mason: Perhaps this question is unfair, but does the SFC have closer engagement with colleges than it had with the universities? To be frank, we got the impression that the SFC sat back until a university told it that it had a problem. Is it more involved with colleges?

Angela Cox: Because colleges generally operate hand to mouth, there is more regular dialogue with the SFC about how we draw down our funding. In the past—I am not sure whether this is still the case—some colleges have drawn down funding ahead of use to support cash flow. I think that the relationship between the SFC and colleges is quite tight.

John Mason: That is slightly reassuring.

Ms Nairn, the accounts for the University of the Highlands and Islands look healthier, but you have told us that there is a danger of a deficit coming up. Your reserves were quite low—they were £600,000—but they went up to £4.4 million and then to £9 million, which is reasonably positive.

Vicki Nairn: Our university court has set a cash balance limit of £6 million, below which we will not go. That is the equivalent of 75 cash days. We are seeking to increase that as much as possible.

To answer your previous question about interaction with the SFC, we work really closely with it. That is one thing that I have been keen to do since I took up my role. All institutions should make regular returns to the SFC, but we also need to be proactive in fostering our relationship with it so that we let it know if there are any issues or if we think that there might be a problem, as we are very aware that it will be in a reactive position. As the regional strategic body, we meet the SFC roughly every two weeks and have a general catch-up to talk about issues across the partnership.

John Mason: As has been said, you have quite an unusual structure. The University of Edinburgh told us that it has different schools, which it had been allowing to do their own thing. Eventually, it realised that there was a problem and pulled everything together. You are in a slightly different position, but you say in your submission that, if

one college has a surplus and another has a deficit, you do not have the powers to move that surplus. Would you like to have the power to do that?

Vicki Nairn: We do not have that power at the moment, because each of the colleges is an independent company in its own right. Depending on the format of the college in question, it might or might not be able to carry a surplus. We would seek the SFC's guidance on how to treat any surpluses, but there are very few at the moment. Generally, if a college can break even, it is in an exceptional place.

Within the partnership, we have one college that is breaking even, which is UHI Argyll, and most others are in deficit. There are various reasons for that. Some might be facing in-year pressures. Others might have a deficit with a growth strategy attached, as Professor Powell mentioned. It is a complex picture with lots of competing priorities for income and expenditure.

John Mason: Would it be easier to manage if the model was a more centralised one, in which the colleges had fewer powers?

Vicki Nairn: I am wary of using the word "centralised" in relation to UHI, because we value our bases in communities. However, as part of our forward view, we are keen to focus on where we can share some services and integrate them more, which would give us a single view.

I think that we currently have seven different finance systems across the partnership, which do not talk to one another. If we had a single finance system or a single human resources system that we could all share, that would give us a lot more information and would allow for more of a data-led approach. There is no doubt that the complexities that we have at UHI are expensive and are more than ripe for change and innovation. That is why we are looking towards transformation.

John Mason: What do you get at the centre? Do you get monthly accounts from each college or something like that?

Vicki Nairn: We get regular reporting from each college, and we do quarterly accounts. We often meet monthly. Our chief financial officer meets the finance directors of each college. As I explained earlier, the academic partners' financial sustainability is scrutinised at every finance and general purposes meeting and at every court meeting. Quite rightly, there is a lot of scrutiny of financial sustainability in our organisation.

The Convener: Mr Mason has been speaking about the unique set-up of UHI. Is there a future for the regional strategic board? Should it continue, or should we look to replace it? It is now the only remaining regional board in the college sector in Scotland.

Vicki Nairn: The RSB—the regional strategic body—and the University of the Highlands and Islands are inextricably linked, and it would be hard to separate one from the other at the moment, because we manage all the funding. That is a legislative position.

We have had a number of discussions over the past 18 months, and we have produced an outline business case for change on what the future for UHI could be. We have had unequivocal support for the idea that having a university in an area that covers two thirds of the landmass of Scotland is absolutely critical. For me, the key questions are how the university is structured and how it is funded. There has to be a more elegant solution than what we have at the moment, which is an unfunded regional strategic body—we do not get any extra funding for the RSB—with a separation between the university and our various academic partners, some of which, such as UHI Orkney, sit in a local authority.

Over the next six to eight months, we want to consider a number of models—which will be subject to trade union, staff and public consultation—to determine how we can preserve all the great things about UHI, of which there are many, and how we can create a forward-thinking institution that meets the needs of its communities in the future. That will mean having different funding mechanisms and possibly a different structure. I do not know the answers yet, however, as we are in the process of commissioning the work.

The Convener: I will come back to that.

Mr Rennie put the charge to Professor Powell that he was more interested in HE than FE, with that criticism being felt throughout Scotland's Rural College, and Professor Powell responded to that. A similar accusation has been made about you and the court of UHI. The answer that you have just given was very much about the university and how we need to have a university in the Highlands and Islands. Can the charge be made that you care more about the university side of UHI than you do about the colleges that are delivering what we have heard that colleges need to deliver and what there is great demand for?

Vicki Nairn: Not at all. The reason I talk about UHI as a university is that we are a tertiary university partnership. We were given degree-awarding and research-awarding powers in 2011, and I am really proud of that. I talk about that in a holistic sense. Within UHI, our diversity is our strength. As a learner and as a student, someone can come to UHI to undertake an FE course or a short course, and they can then continue on to a

degree and onwards. We have students who do that.

I will reflect on your comments—I have not heard that particular view myself—but, for me, having a tertiary university partnership based within our regions is a really powerful thing. What we need to do, as the leadership and the court, along with all the people in UHI—we have some fantastic people in our organisation—is to set out where UHI is now and to consider what the next stage of its evolution should be.

The work of the committee will be really helpful for that, because the model that we have at the moment does not work. It is a legacy model; we have talked about the funding mechanisms. We want to understand how we can better integrate that. At the moment, we are receiving funds from the Funding Council. We have completed stage 1, which is an outline business case, and we will move on to the production of a full business case.

11:45

I am also aware that UHI is held passionately by the communities that have UHI in their areas. For a long time, someone in those areas who wanted to undertake higher or even further education had to leave the area. Our network provision allows people in Shetland, for example, to access a course through another academic partner. It is a powerful model. The current process is about the evolution of where we go next.

Linking to what others have said, the funding climate is going to remain challenging, so institutions have to be innovative. That can often mean taking difficult decisions, but in order to move forward, we must be innovative. We have economic development on our doorstep. We have employers and industry crying out for skilled learners.

How we address that as an institution and harness the power of UHI in our 36,000 students is fantastic. We were voted first in Scotland for postgraduate taught education and sixth in Scotland for undergraduate satisfaction. Seventy-two per cent of our research is classed as internationally significant or world leading. We do not want to lose any of that. We want to take it forward for the next generation, but the structure is a complex, knotty problem.

The Convener: Another complex problem is the regional strategic body. Before that, we had the further education regional board.

Vicki Nairn: Yes—the FERB.

The Convener: An SFC review of the UHI regional strategic body that was carried out in 2020 outlined a number of differences between the two. Is it correct that the further education regional board had an independent chair?

Vicki Nairn: I believe so. That was before my time with UHI. That board no longer exists. It was replaced by a partnership forum, which has a different focus. Its focus is more on key issues in the partnership.

The Convener: The FERB had an independent chair, and there was delineation from the wider college. I understand that the chairs of the nine assigned colleges were part of the further education regional board. How many of the chairs of the regional colleges are on the regional strategic body?

Vicki Nairn: When it comes to the university court, the regional strategic body has two chairs on it at any one time, with the option to include a third chair. As part of our move towards better and more integrated partnership working, we invite a partner chair to attend each court meeting. The partnership forum meeting that I mentioned earlier involves all the chairs and the chair of court coming together to discuss strategic issues across the partnership.

In addition, the chair of court has regular one-to-ones with the chairs of all the colleges. I chair the partnership council, which involves me and all the principals of all the partner colleges, and I hold regular one-to-ones with the principals.

The Convener: Can you understand that there is concern that some of those voices have been lost, given that all nine chairs used to be on the predecessor board and, now, two chairs attend, with a third possibly being invited? Now that the chair of the court chairs the RSB, there is not the same independence as there was when there was an independent chair. That means that, if the leadership of the UHI wants to get something through, it can now do that. With the regional strategic body rubber stamping proposals, there is less opportunity for dialogue and debate and, perhaps, for colleges to propose changes.

Vicki Nairn: The FERB—as I said, it was before my time—was not the regional strategic body. The regional strategic body has always been within the court's remit. As far as I understand it, the composition of the court has not changed since it was formally established.

The Convener: Without the FERB, with its independent chair, the nine chairs do not have the same opportunity to make their points.

Vicki Nairn: I think that there is an opportunity for them to do that through the partnership forum. In my experience, the chairs are very good at voicing their opinions and making their views about how we work together known. I would say that that process is stronger now than it has ever

been. We are constantly reviewing our structures to see what we could do differently and better.

Since I came into post, I have been trying to take a more inclusive and collaborative approach to the partnership. An example of that is our 2030 strategy, which was agreed by all our principals, all our chairs and all our academic partners. That had not been the case in the past, when it would have been done by executive office. So, we are moving on that. I am not saying that the system is perfect, but it will continue to evolve.

As part of the work that we are doing to develop a new operating model, we need to develop a different composition for the university court. We need to have a more inclusive approach, because the court must reflect our partnership. We are trying to understand how we get the community and regional voices heard. It is especially important that rural and island communities have their place and that their voice is heard. I fully expect the composition of the governance structure to change as we evolve into whatever the future looks like.

The Convener: That is very interesting. I welcome that. Can I take it that that was an admission that you are not inclusive enough at the moment? If the court must change to be more inclusive, as you just said, does that not suggest that you are not inclusive enough at the moment?

Vicki Nairn: No, I think that we are really inclusive, actually.

The Convener: So, why do you need to become more inclusive?

Vicki Nairn: That relates to your point about the fact that, as we move forward, some of the structures that we have had in the past need to change. At the moment, we—I and other colleagues—do a lot of work to ensure that we are as collaborative and inclusive as possible. It would be nice if the formal structure that is set down in legislation also reflected that. In the meantime, we are doing a huge amount of work to ensure that our chairs and principals feel that they have a voice and that there is active, constructive and participative dialogue across the whole of UHI, despite its complexity. It is a complex beast.

The Convener: I mentioned the transformation plans, which have been on-going for several years. However, people on the ground tell me that they have not seen much change, even though there is a lot of talk, and papers are produced and so on.

You made a point about dialogue. I have heard a lot of criticism to do with the fact that when individual staff members—very skilled staff members, with a lot of experience in UHI—have submitted proposals, they have felt that you, the chair or the court have not taken them on board. Indeed, in some cases, they felt that the chair just replied to thank them, but nothing really happened.

How do you respond to the concern that, despite the fact that you say that you want dialogue, that does not follow through to changes to the transformation plans?

Vicki Nairn: I would be happy to look at any specifics. One of the things that I try to pride myself on is going back to people and having a conversation if people make proposals for improvement. We do that all the time. I cannot comment for the chair but, from what I know of him, he would want to foster open dialogue.

I joined UHI in 2022. In 2023, I immediately started working with colleagues on a new strategy that was reflective of our partnership. That was the catalyst for change. Our 2030 strategy talked about our mission and our vision. As part of that strategy, we also agreed to think, plan and act as one. We were created to have a transformational impact on the communities and economies of our region, and 2023 was the start of the change process.

Since then, across the partnership, we have collectively developed an outline business case that sets out the current position, which all parts of UHI approved in December, at the end of last year. We then started working on a full business case. For a very large tertiary organisation, I think that we have made really good progress since 2023.

However, you are right about the fact that all institutions exist on the burning platform of sector funding. The situation is getting difficult. More costs are coming in all the time and there is less income, so we are actively looking to see how to speed up the change process. We recently had staff engagement sessions, many of which I chaired, which a huge number of staff attended. We have launched an employee survey, and we get a lot of feedback from staff. I would be happy to speak to any colleagues who feel that they would like to have that conversation, but I am not aware of anyone whom I have turned away or have not listened to.

The Convener: That is very helpful. I know that a number of them are watching today, so I hope that they will take you up on that offer.

It has been suggested to me that the transformation project is not green book compliant. Is that the case?

Vicki Nairn: We are working through the process. The outline business case followed the standard process. The next stage will be the production of a full business case, which will be green book compliant.

The Convener: So, it might not have been compliant up to this point, but it will be in future.

Vicki Nairn: We have been following the general principles, and the Funding Council has been content with that work. On the basis of the outline business case, it agreed to fund the full business case.

The Funding Council has been very clear with us about what it expects to see. Any future change would need funding, and the Funding Council is very rigorous in its scrutiny of any documentation that we produce. The Funding Council also sits as an observer on both our change governing bodies: the transition executive board that operates at working level, which I chair with partner principals; and the oversight board, which is chaired by the chair of court.

The Convener: Finally, we have heard from other witnesses today about the challenges around capital. People who come from Moray, as I do, are particularly worried about Moray college, which is in older buildings in which there has been limited investment—indeed, some of the classrooms have had to be closed and people have moved offices and suchlike. There is a worry that a general lack of investment will make it easier in the future for UHI to say, "Despite our best efforts, Moray college can't continue, because it would cost too much to upgrade the current building or to build a new one. Therefore, students can go elsewhere—it's only 40 miles to Inverness."

What would you say to dampen those concerns or to remove them completely? Moray needs the students to go there. The students who study at Moray college achieve very good outcomes. The principal, David Patterson, is doing a great job under very trying circumstances—we have heard that all principals are working under trying circumstances at the moment—in leading the college's outstanding staff. Can you give a guarantee that there will always be a UHI Moray in Moray?

Vicki Nairn: That is certainly our intention. We have stated in all the documentation that we produce that communities are at the heart of any change. UHI was founded to be based in and for its communities, and that does not change. Therefore, yes, absolutely.

What I cannot guarantee is that there will be Government funding for capital investment and change. I know that UHI Moray is struggling with a major RAAC issue at the moment and is currently working to understand the cost and the size of the problem. Capital funding in general is a major issue for all sectors, because some of the mechanisms and funds that we had in the past, which we could bid into, do not exist any longer or are so small that you get a slice of a very small pie.

One of the pleas that I would make—this is linked to some of the other issues that we have discussed—is that capital funding be made available. You might be fortunate and have a new college building, but time continues to move on and a lot of the old colleges have maintenance issues—our building is 20 years old and we have them, too. Unless organisations can carve capital funds out of already pressured funding, it is really difficult to make funding available.

The Convener: I fully agree with that. However—to go back to my initial questions to Andy Witty—the Minister for Higher and Further Education, when he was in front of us, said that

"The position that Colleges Scotland adopted at the outset was to make a budget ask that many people would have considered unrealistic by any judgment."—[*Official Report*, *Education, Children and Young People Committee*, 8 January 2025; c 8.]

That ask was largely about capital—Colleges Scotland made a big request for capital. I think that what you have said needs to be heard by Government; otherwise, the condition of the buildings will get poorer and poorer.

Professor Powell, I think that you wanted to come in.

Professor Powell: Thank you, convener. I have been reflecting on Mr Rennie's fair challenge. What is important in that respect is having the title of "university college", which would emphasise the importance of having FE and HE together. For SRUC, that would be a really important step in moving this agenda forward. We would appreciate the committee's support on that.

The Convener: Thank you—that helpful suggestion is noted. I am very happy for us to end on a positive response on the future of Moray college from the principal and vice-chancellor of UHI.

I thank you all for your time this morning. You will be aware that we had a session with individual universities and Universities Scotland. We have now heard from colleges and Colleges Scotland, and it is our intention, when we come back from the summer recess, to have a discussion with the ministers about financial sustainability for both the college sector and the university sector. Your input today and your written submissions will be extremely helpful to us in our endeavours.

The committee will now move into private session to consider its final agenda items.

12:00

Meeting continued in private until 12:24.

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