



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION AND CULTURE COMMITTEE

Tuesday 4 October 2011

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EDUCATION AND CULTURE COMMITTEE

7th Meeting 2011, Session 4

CONVENER

*Stewart Maxwell (West Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Clare Adamson (Central Scotland) (SNP)

*Marco Biagi (Edinburgh Central) (SNP)

*Jenny Marra (North East Scotland) (Lab)

*Joan McAlpine (South Scotland) (SNP)

*Liam McArthur (Orkney Islands) (LD)

*Liz Smith (Mid Scotland and Fife) (Con)

*Jean Urquhart (Highlands and Islands) (SNP)

COMMITTEE SUBSTITUTES

George Adam (Paisley) (SNP)

Ruth Davidson (Glasgow) (Con)

Hanzala Malik (Glasgow) (Lab)

Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Paul Little (City of Glasgow College)

Professor Seamus McDaid (University of the West of Scotland)

Liz McIntyre (Borders College)

Sir Timothy O'Shea (University of Edinburgh)

Professor Ferdinand von Prondzynski (Robert Gordon University)

Alan Sherry (John Wheatley College)

Alastair Sim (Universities Scotland)

John Spencer (Scotland's Colleges)

CLERK TO THE COMMITTEE

Terry Shevlin

LOCATION

Committee Room 2

Scottish Parliament

Education and Culture Committee

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Scottish Government to the SFC also mentions retention, widening access, articulation and accelerated degrees. Those areas have been gone over in great detail by Governments over many years, but in the past 10 years the amount of change in some—widening access, for example—has been marginal, if there has been any at all. On accelerated degrees, there has never been much enthusiasm about taking people in at second year and articulation seems to involve only five institutions. Are the budget and the current financial circumstances likely to change that context and that imperative?

[The Convener *opened the meeting at 10:00*]

Draft Budget 2012-13 and Spending Review 2011

The Convener (Stewart Maxwell): Good morning and welcome to the seventh meeting of the Education and Culture Committee in session 4. As usual, I remind members to switch off mobile phones and other electronic devices—please keep them switched off. We have no apologies. I believe that Jenny Marra has been delayed by a train failure; I hope that she will be here shortly.

Agenda item 1 is to continue scrutiny of the Scottish Government's 2012-13 draft budget and the 2011 spending review. Our focus is on the issue of further and higher education funding. I welcome the first panel of witnesses: Alastair Sim of Universities Scotland; Professor Seamus McDaid, principal and vice-chancellor of the University of the West of Scotland; Professor Ferdinand von Prondzynski, principal and vice-chancellor of Robert Gordon University; and Sir Timothy O'Shea, principal and vice-chancellor of the University of Edinburgh.

We have about an hour, gentlemen, to ask you what I hope will be searching questions, so without further ado we will begin questions with Claire Baker.

Claire Baker (Mid Scotland and Fife) (Lab): I will ask a few questions about the funding gap. The spending review settlement for universities has been welcomed, although it is worth noting that in the first year it is replacing the cut that we have experienced in the current year.

I will start with the proposed efficiency savings of £26 million. Between 2008 and 2011, the sector

delivered £133 million in savings, as Universities Scotland's briefing points out. Is there much more fat to trim in the sector, or will the continuing pressure for efficiency savings lead to courses being cut, which has happened in some universities already, or to a reduction in contact time for students, which we have seen in other universities?

Professor Seamus McDaid (University of the West of Scotland): As chair of the efficiencies task force, I should answer that, or at least start to answer it. We have identified that universities are relatively efficient organisations. In fact, the most recent figure for sectoral savings is £143.1 million, so we have done even better than we said we were doing.

We take efficiencies and the effectiveness of what we do very seriously. The efficiencies task force has set up a number of work streams, which will deliver over a period of time. We think that there are things that we can do that will continue to increase both the efficiency and effectiveness of what we do and we are working on a range of areas.

We are obviously looking to learn from best practice across the sector in terms of the internal leaning of what we do. That is not about cutting front-line services; it is about leaning our processes and getting as efficient as we can. There are things that we can learn in that regard.

We are also looking at our information and communications technology agenda across the sector and picking up from external reviews of that. We are looking at shared services and estates, and we are continuing to look at procurement. We have been pretty good in procurement—the data is in our report—but we think that there are still things that we can do on that.

We are reasonably confident of achieving efficiencies without hitting front-line services—that is certainly our intention. We will be working hard to do that. We have pulled together expertise from across the sector to work on the task force.

Claire Baker: I will move on to a slightly more contentious issue. Over the past few years, we have seen lecturers lose their jobs and pay freezes within the sector, but the pay of senior management has continued to increase over the past five years.

The University and College Union has pointed out that salaries for senior management have increased by a third in the past five years and by 7 per cent in the past year. Is that acceptable in the current economic circumstances?

Alastair Sim (Universities Scotland): I will comment on the generality of the UCU figures and

my members will want to comment on what is happening at senior management level in their institutions. We have all seen table 2 in the UCU's evidence to the governance review. We were perplexed by that table because of the extent of factual error in it. I was surprised to find that it identified Robert Gordon University as having 49 senior managers, when in fact it has a senior management team of 12. For some reason, the UCU decided to include the senior executives of the Scottish Further and Higher Education Funding Council. We have no control over the council, but it helps to bump up the total because it has gone from three to five members and their salaries are above average for the university sector.

The UCU projected a range of average senior management team costs, which go from about £200,000 to a fictitious figure of more than £3 million for Robert Gordon University, and then averaged that as £8 million per university. I am afraid that we were perplexed by those figures, particularly as our data show that senior management salaries have typically been static or have increased by well below 1 per cent in the past year.

My members might wish to comment on how they perceived the figures in relation to their individual institutions.

Professor McDaid: In 2005, the University of the West of Scotland did not exist. There were two institutions—Bell College and the University of Paisley. The Bell College dimension has not been picked up, so that is a relatively simplistic issue. We have been going through a merger process and a leaning process as an organisation, but by far the greatest leaning that we are going through is at senior management level. There are difficulties to do with definitions but, of the nine posts that are identified by the UCU in 2010, one person left during 2010 and was not replaced and three more have gone since then—with the last of them going at the end of August this year—and have not been replaced. That was a planned process and we have absorbed the work. In my university, the costs of senior management have had more leaning than any other costs in the organisation and more posts have gone at senior level. Those are the facts.

Claire Baker: There has been a continuing concern among parliamentarians in recent years about the rate at which principals' salaries have increased. There have been opportunities to tackle the issue, with new principals coming in at both universities in Aberdeen. Is there a recognition in the sector of that concern and that people are angry about some of the salaries? Have there been active moves to address the issue? Seamus McDaid spoke about the experience at his

university, but has there been recognition across the sector that the salaries do not reflect what we expect?

The university sector is the one sector that has benefited from the Scottish Government's spending review, while there have been extensive cuts to the college sector. The amount of public money that goes to the university sector is increasing. With that, there comes a greater responsibility to deal with the issue of salaries head-on.

Alastair Sim: I will respond to that at the aggregate level. From 2009-10 to 2010-11, the increase in remuneration for the top management team in universities was 0.7 per cent. It is therefore hard to maintain a contention that senior salaries are racing ahead. Members have already talked about the rationalisation that is going on at senior management level. In the same period, all but one principal has accepted an increase that is in the range of 0 to 1 per cent. We are working in a United Kingdom and international environment in which there is a rate for the job of managing educational charities that, in many cases, have a turnover of many hundreds of millions of pounds.

On the issue of how we deploy the resources in the spending review settlement, we have been absolutely clear—Professor McDaid's efficiency work is an essential part of that—that the resources must be committed to the front line, to ensure that we sustain student numbers; that the student experience is of a quality that we are proud to offer; that we support Scotland's research base to sustain us as a national hub of excellence; and that we use resources to ensure that universities drive the economy through the translation of our research and intellectual property into business opportunities.

We are clear that the proposed spending review settlement comes with the clear responsibility for the sector that the money must be used to deliver for Scotland.

Sir Timothy O'Shea (University of Edinburgh): Claire Baker is entirely right: with the pressure on public sector spending, it is important for senior staff in universities to show leadership. For a third year, the University of Edinburgh's senior team has refused pay rises.

Professor Ferdinand von Prondzynski (Robert Gordon University): I will add a word for Robert Gordon University. Alastair Sim made the main point that the UCU figures cover a range of positions that we do not regard as being part of the senior management team, although the holders of those positions are important to the life and running of universities.

I have looked into the issue and can give the committee the figures for our senior management

team as it is properly understood—it includes not heads and deans but senior officers of the university. From 2005 to 2010, the exact increase in the senior management team's salaries—including the principal's salary—was 5.6 per cent, which is well below the inflation rate during that time.

On my appointment, I made it clear that I would accept no pay increase certainly over the next year and probably beyond that. I understand and agree with Claire Baker's point that it is important at this time that senior teams show by example that they understand the general budgetary position.

Claire Baker: I will move on to other elements that have been identified to meet the funding gap. The National Union of Students Scotland and the UCU, among others, have criticised the levels of fees for rest-of-UK students who come to Scotland. The Scottish funding council paper refers to the risk in setting fees. Fees are expected to contribute £56 million to addressing the funding gap. Are you confident that that money will be realised? Are you concerned that the fees that are being set in Scotland might deter rest-of-UK students from coming to Scotland? Another concern is that we are in danger of having admissions policies for Scottish students that differ from those for rest-of-UK students.

Sir Timothy O'Shea: You ask a good question. The honest answer is that it is extremely hard for any head of an institution in any part of the UK to predict what will happen in the admissions process when the arrangements change dramatically in England, Wales, Northern Ireland and Scotland.

In the University of Edinburgh's modelling, we have considered the possibility of an increase of up to 20 per cent in rest-of-UK students, which is partly because we will offer the most advantageous bursaries in the whole UK—a big change at Edinburgh is the £7,000-a-year bursary that will be offered. At the same time, we have modelled the possibility of a 20 per cent drop.

Anybody who works in a planning department of any UK university has great difficulty in predicting what will happen. My intuition—I emphasise that it is an intuition—is that the assumptions that the Scottish Government has made in its spending review are about right and that we will have reasonable stability. However, I certainly would not bet money on that, because the most dramatic change in the lifetime of anybody who is sitting round the table will take place in the pattern of the fee structure across the UK. We would therefore be foolish to say that we know exactly or even approximately what will happen.

I take it that most university planning departments are considering tolerance bands.

Even though we had 12 applicants for every place at the University of Edinburgh in the previous round, we are still considering the possibility of a change in admissions of plus or minus 20 per cent in 2012.

10:15

Professor McDaid: The effect is very marginal for my institution. Predicting what will happen is important to us, as we are moving to looking at more English, Welsh and Northern Irish students coming to the university. We have been improving our infrastructure markedly over the past three or four years but, financially, the issue is not a major one for us. It is difficult to predict what will happen, although applications for my institution have been going up without our having done anything to make that happen.

I agree with Tim O'Shea. Our planning departments are considering possible scenarios, but the impact is not a major one for us in financial terms.

Claire Baker: Previously, the Scottish Government proposed a European Union maintenance fee, and I think that it was estimated that it could raise around £22 million a year. Obviously, the teaching grant has been removed for rest-of-UK students, but not for EU students, who are treated the same as Scottish students. Neither the spending review nor the budget mention the £22 million that was identified as contributing to addressing the funding gap. Are you having discussions with the Government about an EU maintenance fee? Is it deliverable?

Alastair Sim: The Scottish Government has been clear on two fronts: first, that it is considering that matter; and secondly, that the proposition is not necessarily straightforward. We have consistently supported consideration of the matter to ensure that students from across the EU, who are bringing an extremely valuable academic contribution to Scotland, make a fair contribution to the costs of their tuition here, but the proposition is not absolutely straightforward. A lot of legal investigation will certainly be needed, so it is premature to make any projection of the income that the proposition might realise in the spending review period.

Claire Baker: So, as you understand it, a European Union maintenance fee is no longer a factor in addressing the funding gap.

Alastair Sim: One certainly cannot rely on it, as the development of a specific proposal is subject to a great deal more investigation. It would have been imprudent to have included a projection on it in the spending review figures.

Ferdinand von Prondzynski: As members may know, I recently came from the Republic of Ireland, where I was head of a university for 10 years. What started out as the student registration charge in the Republic of Ireland became a student service charge; it is now known as the student contribution charge. Perhaps the name changes chart the development of the idea. The charge has now reached €2,000, and it is payable by all students, including Irish and EU students, but Irish students who fall below an income threshold have it repaid by the Department of Education and Skills. By that means, a relatively small number of Irish students pay it, but EU students, who do not have access to the repayment provisions, pay it. Therefore, there is a model.

Liz Smith (Mid Scotland and Fife) (Con): I will pick up on a point that Sir Timothy O'Shea made about the modelling that has been done with regard to rest-of-UK students. It is possible—although I hope that this is unlikely—that the numbers of students who come from other parts of the UK could decline if students there thought that our fees were high. The demand for places by rest-of-UK students could fall. Is it likely that the universities with a higher proportion of rest-of-UK students would put fees up even further for those who came, or would you have other ways of bridging any problems with money from extra efficiency savings?

Timothy O'Shea: I can speak only for the University of Edinburgh. Obviously, we had a careful discussion of the different funding options in our court, and we were advised by the senate. I think that it would be unlikely that the University of Edinburgh court would put fees up higher, or that it would wish to do so. The debate in which we considered the different options was difficult and demanding, but I think that it is highly unlikely that we would be in that position. We have a strong supply of very competent applicants. As I said, there are 12 applicants on average for each place, and pretty much all of them are competent.

Applications from the rest of the UK would have to fall by 70 per cent for us to be stuck. We can admit only 4,500 students a year; there is a real difference in the people who apply to the University of Edinburgh—and nearly everyone who applies is competent. I imagine that any serious decline would have to happen year on year and the university court has followed my advice that, at Easter time immediately after the conclusion of the current round of applications, we look carefully at the application patterns from Scotland, England, Wales, Northern Ireland and from the rest of the EU and internationally to see what changes we need to make for 2013. Because of the timing of the election and such this year, we had to move with great expedition—after all,

students were getting their Universities and Colleges Admissions Service forms shortly after the election result—but we will carefully evaluate the position at Easter.

Looking at the raw numbers for Edinburgh—which has 12 applicants for every place—I think that it is clear that there would have to be a quite extraordinary change in demand. The only indication that we have had is the most recent open day, which we expected to be very popular; in fact, we had 500 more attendees than the 9,000 we were expecting. Obviously we have to see what happens on the forms but, with 50,000 applicants for 4,500 places, the pattern of interest in the University of Edinburgh and the pattern of applications suggest that it would take a quite extraordinary change in the statistics for us to be stuck. Of course, a pattern could emerge suggesting that we might need to change by 2014 or 2015 and we will certainly make some revision after we have made a full assessment of the 2012 round, in which we are actively involved at the moment.

Liz Smith: Mr Sim, will the percentage of the funding gap to be made up by rest-of-UK students stay stable in the years ahead?

Alastair Sim: My response has to reflect what members of Universities Scotland are saying—you cannot give an absolute assurance what the numbers will be in future. However, I should add that in the technical expert group we worked with the Scottish Government on the protections that have been built around rest-of-UK fee income in the spending review settlement and which have been recognised as methodologically robust. If we assume that there is constant demand—which we certainly hope will continue and in anticipation of which universities are setting fees—the figures in the technical expert group report are in fact robust enough to base reasonable decisions on.

The Convener: The University of Edinburgh has made it quite clear that, because it gets 12 applications for every place, there would have to be a substantial change before its position was affected. However, the same does not hold for the whole sector. How would the position have to change in other institutions before they would be affected?

Professor von Prondzynski: Perhaps I can respond on behalf of my own institution, which, numerically, lies somewhere between Timothy O'Shea's and Seamus McDaid's institutions. Robert Gordon University has a relatively small number of rest-of-UK students, but that figure has been growing—although statistically not by a very large amount. We intend to recruit more actively and, to support our efforts in that respect, we have set rest-of-UK fees based on what students actually cost us. I believe that our university is the

only one to have set fees in bands to reflect the different costs of different programmes.

Obviously, like everyone else, we cannot predict exactly what will happen but we expect to increase rest-of-UK student numbers. Of course, we have not quite decided by how much we want to increase them—that is perhaps a different issue—but I expect that in a year or two they will be higher than they are at present.

Professor McDaid: We are doing it from an even lower base—it is a bit like that John Cleese sketch with the different height order. Because we have small numbers of students from the rest of the United Kingdom, we were able to consult them and ask them why they came here and what the drivers were. We found out that it had nothing to do with price. They wanted to come to particular programmes or campuses. That is the situation even though we have deliberately done no work to market the university down south. I expect that, over the next three or four years, there will be significant increases—in percentage terms, if not in large numbers of students—in the amount of our students who come from the rest of the UK. We want to encourage that diversity in our student population for the benefit of all of our students.

Sir Timothy O'Shea: All universities have large and experienced admissions teams. On the open day that we held the Saturday before last, when we had 9,500 visitors, my colleagues asked the many potential students from the rest of the UK who had travelled to Edinburgh what might affect their decision. We got no warning signals from that exercise.

The last time that there was a big transition in the UK, when the £3,000 fee was introduced by Westminster, the objective of the civil servants who work for the Scottish Government was to put Scotland in a position in which there would be no significant changes in cross-border movement. They are a very competent group of people and they were entirely successful in that regard. This time, we are dealing with a much larger transition, but we have to have some confidence in the civil servants who work directly for the Cabinet Secretary for Education and Lifelong Learning, Michael Russell, and in the admissions and planning staff who work in the universities. Either group would be quick to warn us if they thought that a plan was irrational or could damage some of the institutions.

Marco Biagi (Edinburgh Central) (SNP): Claire Baker pointed out some of the responsibilities around efficiency that accompany the quite generous funding settlement. The guidance letter from the **Alastair Sim:** I will deal with the issues at a global level, then let panel members exemplify.

A lot of what is being said in the letter of grant is a reflection of what we have been saying to Government for quite a long time, which is it is necessary to have a systemic approach to ensuring that the learner journey for every learner is right from school, through college and—potentially—on to university. We have also talked about the need to widen access in the round, given the extent to which people's opportunities can already be diminished well before the university can have access to them, and given that people from deprived backgrounds who succeed in getting highers have a disproportionate degree of success when it comes to getting into university. We have said that if we are to make progress, we have to take a system-wide approach to unblocking the blockages.

On accelerated entry, there is a solid platform of progress on which to build. The estimated 9 per cent or so of undergraduate entrants who are coming into year 2 from school because they have the right qualifications—advanced highers, Scottish baccalaureates, A levels or whatever—is a sound platform of advanced standing. A similar proportion enter with advanced standing from college, on the strength of their higher national qualifications. I think that the experience of our members is that most people who have a higher national qualification and want to come in with advanced standing are able to do so.

What you are saying is consistent with what we have been saying for some time: we need to make further progress on those issues in a proper systemic way. We need to look across the school, college and university sectors to see where we can have better signposting and we need to unblock the blockages that are causing difficulty.

10:30

Professor McDaid: My university does a lot of work with the college sector as well as with the school sector. We have many students who enter in either second year or third year and we put in support processes for that, because of the different learning and assessment methodologies that are involved. That works and we are very committed to it. There are positive signals in the white paper and the letter of guidance, which will perhaps accelerate it more, particularly in relation to how we create co-ordination between colleges and universities to ensure that we get the learner journey right. As Alastair Sim said, that fits with much of what the universities have been saying and we hope to build on it.

Professor von Prondzynski: You will appreciate that I have been in the door at RGU for only 10 minutes, so there is a limit to the impact that I could claim to have had, but RGU is recognised as having very strong articulation

arrangements. We have very close relationships with Aberdeen College and Banff and Buchan College, which are nearby. Together we form part of the north-east articulation hub. We are currently engaged in discussions with both those colleges in order to deepen our relationship with them.

We are looking at ways in which we can expand the articulation arrangements considerably. Beyond that, we are looking more generally at our access programmes. We intend to come forward with a major access initiative, which will be funded partly by philanthropy; we are likely to announce it just after Christmas. We are doing a trial run at the moment, mainly in architecture, in which we are linking with local schools.

In my previous job in Ireland I took over a university that had a relatively low participation rate by students whom you would describe here as being in the lowest 20 per cent on the index of multiple deprivation. I was there for 10 years, and by the time I left we had put together a highly funded access programme that gave all students who came in under it a bursary as well as serious support—to put it frankly, we would not let them drop out. They accounted for more than 10 per cent of the university population by the time I left, whereas before we did that the percentage would have been quite small.

In addition, we had made arrangements with local schools, both primary and secondary, under which we brought pupils from deprived areas into the university to get them acquainted with the university setting and the infrastructure and we then tracked them through primary and secondary education until they were ready to come to us. I intend to introduce something very similar at RGU; we will be announcing it shortly.

Sir Timothy O'Shea: I have a couple of comments on Marco Biagi's very helpful question. I do not regard the settlement as "generous"; I regard it as tough but fair, as per the intention that was expressed in the election manifesto. Given the capital requirements of the universities—the University of Edinburgh has a maintenance requirement of about £200 million—one has to view the settlement as being tough but fair.

As Marco Biagi said, there have been big changes in efficiency in the universities; we are, for example, now looked on as a role model for the public sector in terms of joint procurement. I have a role as chair of the joint information systems committee that provides all the major IT resources for the universities in the UK as a whole, from which I know that there is collective activity that has dramatically reduced costs to the sector.

Marco Biagi suggested that there has been only a "marginal" change in access. I have a deep personal commitment to access. In the University

of Edinburgh my objective was to increase by about 1 per cent a year the proportion of people who would join the university from state schools; we have got pretty close to that. We have had a 7 per cent increase from 63 per cent to 70 per cent.

We have a major programme called LEAPS—Lothians equal access programme for schools—which is focused not just at the University of Edinburgh but at schools and pupils who do not have a university aspiration. That has gone from strength to strength. In 2010, the last year for which we have full data, 1,260 students benefited, of whom slightly more than a fifth—280—came into the university. That programme is combined with our strong pathway to the professions activity, in which graduates in subjects such as law, medicine and architecture help aspiring students.

Like Ferdinand von Prondzynski and RGU, we are about to have a major initiative. As I mentioned, we will have easily the best bursary for rest-of-UK students, and we will also allocate £10 million to support Scottish students who are from disadvantaged backgrounds. That is additional to our existing extensive campaign. Nine years ago, the university was providing serious financial support to about one in eight students; we now provide serious financial support to one in four students at the University of Edinburgh. If you consider that the undergraduate body is 19,000, that is hefty support.

We have greatly increased higher national diploma entry into the university. I am very pleased about that—I am particularly pleased that we have improved and got substantial HND entry into the school of law. If you look at the top five providers among the colleges, schools and independent schools of the United Kingdom to the University of Edinburgh, you will find that the three top providers are the three colleges in the Edinburgh area. We have very good working relationships, particularly with Stevenson College, but also with Jewel and Esk College and Telford College.

We are certainly not seeing "marginal" changes in the University of Edinburgh; we have seen big changes over the past few years, but there is more to be done. The direction of travel, as indicated in the cabinet secretary's letter of guidance, is appropriate, and we will work further to improve access and the already-close working relationships that we have with the colleges.

Liam McArthur (Orkney Islands) (LD): Good morning. I should probably declare an interest as the son of a former Open University lecturer.

I am conscious of a briefing that the committee received from the OU that points to the issue of access, particularly for part-time learners. Because of the risk that part-time learners could

be crowded out, the Scottish funding council previously set aside specific funding as part of the part-time incentive grant. The OU has expressed some concern that, as it understands the situation, from 2012-13 the PTIG will be absorbed into the funding council's regional coherence fund without any guarantees that part-time provision will form part of the regional coherence agenda. This request might be better directed to the funding council and the cabinet secretary, but I am sure that the committee would welcome observations on how some of the concerns that gave rise to the PTIG may be addressed through the change in the future arrangements.

Alastair Sim: Member bodies have a lot of practice in including part-time students, but we have, as a matter of policy, been saying for some time that we should examine how we can have a fairer deal for part-time students. How can we remove barriers to study that part-time students find? As the OU points out, study for many part-time students is not free, in the sense that it is free for full-time students. We have certainly flagged up the issue as being one that needs early discussion with the Scottish Government and the funding council to ensure that there is a sustainable way of supporting part-time learners.

Sir Timothy O'Shea: I endorse that fully. I worked for the Open University for 19 years, my last job being pro vice-chancellor there. I was subsequently master of Birkbeck, which is the one London college that provides only part-time study. The position of part-time study is important. Institutions, such as the OU, that do solely part-time courses must be taken seriously, but part-time provision in other universities also needs to be looked at and supported. For many mature people and many people of limited means, it is the only route into education. We should take that seriously.

Professor McDaid: My university has a large number of part-time students. The study is all related to continuing professional development at undergraduate, postgraduate and PhD levels. In our dialogue with the funding council as we work out exactly what to agree in terms of regional coherence, part of the discussion will be on part-time education. My university has made a large commitment to part-time education. That is partly pragmatic, because Scotland's demography is changing, and we must have part-time capacity in the system to deliver skills upgrading for staff in public and private sector organisations. We are committed to that.

The Convener: Before I bring in Joan McAlpine, I ask for relatively quick questions and answers. I am conscious of the time and I want to get through a few other areas before we have to finish.

Joan McAlpine (South Scotland) (SNP): I will bear that in mind, convener.

You have talked about accelerated degrees; I want to ask about the Scottish four-year degree. It is an important part of the Scottish tradition of educational breadth and is also, as I understand it, very attractive internationally—for example, the ivy league universities in the States all offer four-year degrees. How do you view the future of the four-year degree?

Alastair Sim: As a matter of policy, we are utterly wedded to the Scottish four-year degree as a brilliant product that gives people the opportunity for real breadth of study. It is also a flexible spine: it is not the case that everyone comes in at year 1 and leaves at year 4. It offers the opportunity for people to do the sorts of things that Marco Biagi mentioned. People who have got the right qualifications from school or in the form of an HND can come in at an advanced stage that recognises their prior learning and they can progress from there. We view the four-year degree as being a real benefit for Scotland and for learners, and as a flexible instrument that can be used to meet learners' diverse needs.

The Convener: Does anyone disagree with that?

Sir Timothy O'Shea: Absolutely not.

Professor von Prondzynski: One minor point is that if one wants to have work placements or similar arrangements as part of the university year, which we do, it would be almost impossible to do that without the four-year structure, so it is extremely important to maintain.

Sir Timothy O'Shea: The four-year degree is the gold standard. We have 1,700 students from the United States at the University of Edinburgh, because the US has the same four-year degree system as we do—it took it from Scotland.

The University of Hong Kong, which is a very important partner of the University of Edinburgh, has recently moved from the impoverished English three-year degree—[*Laughter.*]

I am sorry, but I have worked in universities in England, Scotland and the United States, and I have children who have studied in England and Scotland, and there is no question but that the four-year degree is superior. Viewed internationally, it is very much the degree of choice in comparison to the English degree.

Professor McDaid: The Scottish credit and qualifications framework is internationally acclaimed and recognised, and at its core is the four-year degree. We want to examine the flexibility around that.

Liz Smith: Given the relatively generous settlement that was received by universities compared with colleges and other education budgets, do you think that the money that has been provided will allow you to make up the funding gap, or will certain items deliver better value?

Alastair Sim: At global level, we accept that if the funding gap is to be met from public funding, that puts an enormous responsibility on universities to deliver by maintaining quality and range of opportunity for learners, by ensuring that the fundamentals of our research quality are supported and developed, and by further developing our ability to ensure that all that translates into economic benefit.

If we take the settlement along with the ministerial guidance letter and the post-16 policy statement, we see a clear statement that it is something for something. It is investment in Scotland's universities for a range of purposes, which includes a substantial part of delivery of the Scottish Government's economic strategy. We have no doubt that universities will be held robustly accountable for delivering that.

Sir Timothy O'Shea: Provided that all three years of what is in the spending review are implemented, by 2015 we will—according to the Scottish Government's computations—have removed the gap. It will not be removed immediately. The settlement is not particularly generous: as I said before, it is fair but tough. We are talking about restoring a cut of more than 10 per cent in resources for teaching and a very substantial cut in capital, for which the universities will have to use their own resources, because we have to fix the buildings.

However, it is reasonable to propose that the gap will have been closed by 2015 and that in a competitive sense the universities can deliver economically for Scotland in terms of employable graduates, company creation and so on.

10:45

Professor von Prondzynski: I will pick up the spirit of the question. In the setting that we are in, which Tim O'Shea described, it is incumbent on universities to do innovative things with the resources that they have. This is not a stand-still situation for us—the situation is still challenging. Beyond that, in a fast-changing environment in which society and students have very different expectations of what we will deliver for them, universities need to be innovative. I expect my university to deliver a lot of new and different things as part of that.

Professor McDaid: We should not forget that we are operating in an internationally competitive

environment, and we should not forget the figures in last December's green paper, which identified our percentage of gross domestic product spend on universities as being way below that of our competitors. The settlement was essential to keep us competitive, because we generate a lot of other money—we are perhaps better at that than most other sectors in other countries—and it was critical that we got capacity to do that.

Jenny Marra (North East Scotland) (Lab): Given the importance of articulation agreements, which the witnesses talked about in response to Marco Biagi, what do you make of the settlement for colleges?

Alastair Sim: We cannot comment on the Scottish Government's decision on colleges, but I will pick up on points that have been made. It is important for us to work closely and constructively with colleges on making the learning journey right for every learner and making articulation work. Colleges are vital partners for us. In the whole post-16 environment, we can speak only for our settlement, which—as Sir Tim said—does what we think is necessary to maintain Scotland's universities' contribution to our economic, social and cultural wellbeing. We rest on that.

Professor McDaid: We will talk to our college partners about how we make things work and where our priorities lie in the context of the funding environment.

Professor von Prondzynski: That is the important point. If there are consequences for colleges that we can help with, this is the time for closer collaboration between universities and colleges. That is the direction that we intend to take.

Jenny Marra: The proposals for reform in "Putting Learners at the Centre: Delivering our Ambitions for Post-16 Education" include closer collaboration and the possibility of mergers. Legislation is mooted to help with that. What are the educational imperatives with which university principals would be comfortable before a merger was precipitated?

Professor von Prondzynski: Maybe I should respond first, given that my university has been in the news during the past few days, although the reports have been slightly misleading. We and one other university inhabit the same city, which is reasonably far removed from the next cluster of universities. It has been my view that that requires of us that we work closely together in a strategic partnership. As part of that, I have been involved in discussions with the principal of the University of Aberdeen, Ian Diamond, in which we have been exploring ways in which we can collaborate.

The discussions take two forms. We are looking at non-academic collaboration in relation to back-

office functions and services. Our first agreement is on sharing a data centre, and we are talking about five or six other areas in which we intend to collaborate or share facilities and services. We are also looking at the possibility of joint programmes.

Within that setting, we are not looking at merger, in part because the two universities have very different missions and it would be difficult to sustain that difference in a merger. We recognise that we need to avoid duplication of provision and that we need to work closely together. As part of that, we are looking at possibilities for strengthening the strategic partnership between us, including the potential for some shared decision-making functions and some joint appointments, which would lead to joint programmes, where appropriate. It is important for us to demonstrate that we are adding value and not duplicating provision.

Professor McDaid: We talk to our partner institutions in the west of Scotland, and we have been going through major changes. We physically share facilities with the University of Glasgow at the Dumfries campus, where we manage a shared library, shared ICT services and shared student support mechanisms. We also now have a facility that we share physically with the Scottish Agricultural College in Ayr. We have discussions on curriculum with various partners, the most obvious example being with the University of Strathclyde, as has recently been on the news, with a focus on community education. Such discussions take place—we talk to each other.

At this time, merger with any of our higher education partners is certainly not on the agenda for us. However, we collaborate very closely.

Sir Timothy O'Shea: The University of Edinburgh has been involved in five mergers over the past 100 years, and they have been successful. Three have involved hybrid teaching and research institutions, and two are research only. I am being very optimistic, because one merger happened only yesterday, with the human and genetics research unit: the Medical Research Council unit at the Western general hospital has come into the university and has brought with it a lot of capability.

A merger is one way of doing things, and we are very positive about the merger with Edinburgh College of Art. It offers tremendous synergy and ability to work across subject boundaries, which would not have been possible without the merger.

At the same time, it is perfectly possible to work incredibly closely with institutions with which one is not merged. The University of Edinburgh and the University of St Andrews jointly submitted in chemistry to the previous research assessment exercise. That is close to being married—a deep

relationship is involved, telling the same story and accepting the same outcome. It was tremendously important for the profile of chemistry in Scotland and worldwide.

The University of Edinburgh and Heriot-Watt University made three joint submissions at the end of the previous research assessment exercise—in pure mathematics, applied mathematics and statistics. Again, that put us near the very top, at second or third in the United Kingdom. That is not a merger, but it involves incredibly close working with a shared agenda, shared staff and shared facilities.

It is possible for institutions to work together—sharing staff, teaching, awards and facilities—without there being a merger. Edinburgh has about 100 serious partnerships with other higher education institutions in Scotland, where there might be a common course, a common resource and so on. The question is not one of merging or not merging; the question is one of what structural changes can be made in order to be more efficient. Efficiency is very important—resources can be shared as, possibly, can teaching and staff.

Joan McAlpine: How much is saved by eliminating duplication? How has the University of the West of Scotland been enhanced since the merger of the University of Paisley and Bell College?

Professor McDaid: That puts me on the spot. There are savings, but the starting point was not to do with savings. The starting point—very deliberately—was to do with academic integrity and the academic missions of the institutions. Once the academics had agreed that it made academic sense, we drove into the merger process, and savings came out of that.

Earlier, I spoke about reductions in the senior management team, which have been significant since the merger. The senior management team is now significantly smaller than it was at the University of Paisley. For example, we have one director of finance and one director of human resources. However, the fundamental question was whether the merger made academic sense. That has to be the overriding concern for the future—but cost savings can be made if things are managed effectively.

Professor von Prondzynski: Typically, cost savings are made in the medium term rather than the short term. If we consider the history of university mergers outside Scotland, we generally see that costs increase initially, as the process of integration takes place. Then, in the medium or longer term, we see savings. However, it is not an immediate hit.

Liam McArthur: I have a question for Alastair Sim. It is perhaps unfortunate for our purposes

that the members of the panel before us do not envisage their institutions being brought into the ambit of merger. However, the cabinet secretary has indicated that, as well as collaboration, merger will form a part of the process that is under way. Can we expect there to be any mergers within the higher education sector, or is that part of the process to be passed solely to the further education sector?

Alastair Sim: Over the past decade and a bit, there have been 13 mergers in the higher education sector—the most recent large one involved the University of Edinburgh and Edinburgh College of Art. The sector is constantly in the process of reshaping itself, whether by new collaborations, new relationships between institutions or, in some cases, mergers. I do not know whether there will be further mergers in the next few years.

Liam McArthur: Do you see some of the language that the cabinet secretary has used, and the settlement in the spending review, as accelerating that process in any way? Have the rules of the game changed, or is it business as usual and you will get on with things in your own time?

Alastair Sim: The challenge has been put to the sector that we have to keep thinking of how to reshape ourselves. We cannot rule out any possibilities. When Alasdair Allan, the Minister for Learning and Skills, spoke at the *Scotsman* conference a couple of weeks ago, he said that the Scottish Government thought that mergers should happen where and if they make academic and financial sense and are driven by willing partners. That seems an entirely fair proposition. That is the spirit in which universities will approach the prospects of different collaborative arrangements or, possibly, mergers.

Professor McDaid: I have gone through a number of mergers, and they can work. The Government has signalled that it expects there to be a culture in which we think quite positively about the benefits that can accrue from mergers. Mergers are difficult, and both partners must go into a merger with their eyes open and with a positive attitude. We need to be careful about how we approach the issue. However, the message that is being given about the culture in which we should operate is useful.

Claire Baker: On the issue of post-16 reform, why is the Government prepared to make it a duty to move mergers forward? The Scottish funding council could identify a merger as making academic and financial sense, but that might not be the view of the universities involved? Do you understand the proposal from the Government to mean that? If not, what do you understand it to mean?

Alastair Sim: There are elements of detail in the post-16 settlement on which we will have to work quite closely with Government. It is not simply a question of principle; it is a question of what works. Mergers will work only where there are willing partners who see the academic and financial advantage in pursuing the merger. We will need to work carefully to ensure that any new duties are defined in a way that is supportive of things happening, where they make academic and financial terms. Bluntly, mergers between unwilling partners do not work.

The Convener: You have summed up the situation very well. In effect, the criteria are that there are willing partners, that the merger makes academic sense and that the financial case stacks up.

Alastair Sim: Yes.

Clare Adamson (Central Scotland) (SNP): We have touched slightly on this issue already. Professor McDaid mentioned the possibility of delivering efficiencies by combining estates. Universities Scotland has described capital funding as a tough part of the budget. Do you think that it will impact on your ability to achieve efficiency savings or growth? Will it impact on your ability to attract students and research funding?

Professor McDaid: It is a very tough capital budget settlement. My area of expertise is public sector accounting and finance and—I am showing my age—I did a lot of work in the 1980s with public sector bodies. That was a difficult time, when capital budgets were significantly reduced. We paid the price of that in the late 1990s and early 2000s. Hopefully, we will not go back into that scenario.

I know that the next two or three years will be very difficult. We will have to manage our processes as well as we can, but there are challenges. If this level of capital allocation remains over a longer-term period, it will be very challenging to maintain our estates in a condition that makes us attractive to students and makes us attractive internationally. We have a three-year settlement at this time. We know that the situation is tough, we know the position that the Government is in and we recognise the challenges that it faces. We will generate other income to try to support our capital funds, but it will be very challenging.

11:00

Sir Timothy O'Shea: I agree strongly. It will be very demanding. Unless one has capital resources, one cannot fix buildings. We have to sort the asbestos out in old buildings, ensure that they are watertight and put modern information technology in. Without capital, we cannot put up

new facilities for students to meet new learning needs. It will be very demanding.

We should look around the world. I spend a lot of time, on the university's behalf, in the People's Republic of China, and see the immense resources that are being put into universities there. I also spend time in Germany as part of its Exzellenzinitiative and see the resources that are being deployed there. In the short term, I am sure that universities will work very hard and cleverly to raise their own capital resources to maintain buildings and have modest new projects but, in the long term, without capital resources, as with any other sector—the same would apply to health or schools—it becomes immensely demanding.

Professor von Prondzynski: That is an important point. My experience over the past 10 years has been that we can deal with a short to medium-term context in which capital funding is reduced, for obvious reasons in this case, and we can make up some of that through efficiencies, by raising private money or through other such initiatives, but that does not work in the longer run. My experience in Dublin was that, if there was any sign of public money being withdrawn from capital investment, private donors also moved away, because they believed that they should not be supplementing taxpayer resources but adding value on top. It is possible to deal with a reduction in capital funding for a while. I think that we are all willing to do that and we understand the budgetary position that Scotland is in, but there has to be a longer-term vision in which public investment in capital needs is picked up again.

Sir Timothy O'Shea: I have a recent example. Last week, the Princess Royal opened our new teaching facility out at Easter Bush. That new facility has allowed us to increase dramatically the number of vet students and international vet students, because it is very much larger than what we had at Summerhall. It also costs about £700,000 a year less to run.

The facility is very much more efficient than the Edwardian and 1960s buildings that we had at the edge of the Meadows, but it required the university to locate £42 million to build it. That money requires to be serviced by the additional student fees and the savings that we get from the efficiency but, if we did not have access to the £42 million, we could not get the efficiency gains that go with the modern building. That is a nice worked example, which meets exactly the point that you are making.

Jean Urquhart (Highlands and Islands) (SNP): I will ask about the ministerial advice to the Scottish funding council that it concentrate research funding on institutions that attract funding from elsewhere that matches Scottish Government funding and whether you see a conflict of interest

between universities. Are universities seen as being poorer if they cannot attract European or outside research funding?

Sir Timothy O'Shea: One reason for the comparative success of the United Kingdom in research compared with other jurisdictions is what is called the dual-funding model. Formulaic money is given as a result of the research assessment exercise—in future, the research excellence framework—which measures quality. That provides a baseline and allows institutions to invest in infrastructure and to compete for project funding internationally and at other levels. When the dual-funding model was introduced, the thought was that, for each £1 of Scottish Government or Westminster money that a university received formulaically, it would receive roughly another £1 competitively. The University of Edinburgh and most research-active universities have done better than that. We take a bit more than £50 million from the Scottish Government in formulaic money and add to that £200 million of competitive money, so the ratio is about 1:4.

The difficulty is that there is no way of getting that £200 million competitively from the UK research councils, the European Research Council, the United Nations Educational, Scientific and Cultural Organization or the Bill and Melinda Gates Foundation if a university does not have the core infrastructure. The dual-support model is important. The fundamental question for the Scottish Government is how to distribute the formulaic funding to stay part of that. We would object strongly to any attempt to move off the dual-support model, because that is a structural reason why Scottish universities are doing well.

We take money for research excellence as evaluated and we multiply it by competitive bidding. If dual-support moneys started to be removed, that would remove the ability to compete for the other money.

Professor von Prondzynski: I will add a perspective from my university, which is in a different position from the University of Edinburgh. This is my second time round—when I was the president of Dublin City University, I came into a similar scenario.

If a university has not developed the same kind of research profile as has been discussed, it can have research ambitions, but it will need to focus them. There is no benefit in my university trying to become a world-leading research university by adding a little bit of research pressure and making research funding available to everyone. Niches must be identified, built up aggressively and made internationally competitive. We are identifying such niches.

In developing those research niches, it is appropriate for us to link closely with other institutions that have a high-value research profile, and the spending review pushes us in that direction. One such institution is just down the road from us and we are involved in discussions with it. We will also consider how we can add value and be supported by other universities in Scotland in that activity.

You asked whether some universities are poor relations. One must be realistic about how public money is spent and where most value can be obtained. Notwithstanding which university I am the principal of, I am in favour of concentrating research funding where it has an effect. For an institution such as mine, that means developing focused areas for research. Over time, such a device can change an institution's nature.

My previous university, Dublin City University, had a similar profile to RGU when I took it over. By the time I left, we had identified focused areas and it had received the three largest research awards that had ever been made in the Republic of Ireland, so there is a way to develop such a profile.

Jean Urquhart: I presume that you would give that advice about concentrating on particular matters to universities that are less known for research facilities.

Professor von Prondzynski: I think so. That is the only effective way to develop a research profile that provides support. It is obvious that doing research adds to the general fund of knowledge, but it also provides regional support for economic development, creating clusters that attract investment. None of that will happen unless a critical mass exists in some areas, and universities need to develop groups of people for that. I would grant that as the formula.

Professor McDaid: We have had a clear agreement between the Government, Universities Scotland and the SFC that all universities in Scotland do research. That is absolutely required; otherwise, we are not universities. Significant economic damage could be done to Scotland if that was not the case, particularly in relation to international student recruitment. We have a concentration of research—the figures are fairly clear—but we need to be careful not to send signals that some universities do research and some do not. The nature and focus of the research will be different in different institutions. We need to be careful because, almost inevitably, there will be knock-on impacts that could be fairly serious for the Scottish economy if we sent that message out internationally. The research activity in institutions is a core part of the environment for all our students.

Jean Urquhart: Absolutely. I agree that every university should do research, but you would agree that some universities do it better than others.

Professor McDaid: Absolutely, and some universities have been funded to do it better than others. We should fund excellence in research wherever it is.

Professor von Prondzynski: I want to talk about the phrase “better than others”. There are different ways of producing a high-value research strategy. The key thing for universities such as mine is not to think that, in three small steps, we can be the University of Edinburgh, but to realise that there are ways in which we can develop research that is internationally excellent and competes with the best in the world. The area that we developed in Dublin City University was sensor technology. By the time I left, we were acknowledged by an expert US panel to be among the five best institutions in the world in that field. It can be done.

Professor McDaid: You and I should link up, because the biggest sensor company in the world is Honeywell, which describes the UWS as its global sensor training ground. We have a research group on sensor technology and we have developed masters programmes that all Honeywell's engineers in all its plants around the world will undertake. There are things that we can do. We have a different focus. We should be careful about how we classify universities.

The Convener: I have a question for Alastair Sim. In your submission, you raised a concern about the possibility of further concentration of research funding. Will you explain that briefly?

Alastair Sim: If we were to read the letter of guidance from the cabinet secretary in one way, we might wonder whether it means that research will be concentrated by institution, rather than an approach that is based on supporting quality wherever it occurs. As Professor McDaid said, we must be careful about that. Already, 92 per cent of research funding goes to seven highly intensive research institutions to support Scotland's world-class research excellence. There are elements of world-class research excellence in all of Scotland's universities, although it is not as concentrated in all of them. As Professor McDaid said, it is a strongly held value for all Scotland's universities that they are research institutions and that every student deserves to learn in a research-active environment.

Subtlety needs to be applied in deciding how to invest research resources to ensure that Scotland is an internationally excellent centre of research and development while supporting the value of having research and teaching linked in every

university and recognising that many universities do a lot of research that might not be as highly rated in the research assessment exercise, but which is industry facing and brings real benefit to business.

The Convener: I will finish on one question that takes us back to where we started, with Claire Baker's question on salaries. We have been pushed on the issue by the UCU and there has been press speculation. We talked about senior salaries in general but, specifically, is it reasonable, particularly in the current circumstances, for principals of universities in Scotland to be paid as much as or more than the Prime Minister of the United Kingdom, and certainly more than the First Minister as well as chief constables and, frankly, most other public sector heads that I can think of?

Professor McDaid: We have a remuneration committee and go through the Hay evaluation process. External consultants consider senior salaries and go through an evaluation process that involves considering what the jobs are, public sector equivalents and private sector linkages. My institution certainly goes through a very defined process in setting salary levels for the senior team, and my understanding is that almost every other institution has a similar process. It is not about an individual saying, "I want that salary." A fairly defined process is gone through using external expertise.

However, as Tim O'Shea said, most principals have said that they will not take increases. I have certainly done that this year—I said no to money that was due through contractual arrangements. It is a very difficult situation.

11:15

Professor von Prondzynski: When I came to Scotland, I took a 12 per cent drop in salary, although that might raise questions about why I was earning what I did previously. If you create a situation, as is the case in Germany—to take a random example—in which payment of academics generally, including the payment of university rectors, to use the German terminology, is relatively lower than that here, inevitably, senior posts, including the heads of universities, are filled through internal appointments and usually on a semi-rotating basis. If you want universities to be competitive globally in the sense of attracting leadership from across the world, you need a framework that allows that.

I accept that we earn generous sums of money but, compared with salaries in universities in other countries, they are not particularly notable. You need to factor that in. I also accept that, given our salaries, we have an obligation to add value to

what our universities do. If that cannot be demonstrated, that should be reflected in salary reviews. There are serious obligations. There are also obligations in the current situation to be seen to behave responsibly in relation to salary increases.

Sir Timothy O'Shea: The salaries are high and they require very high standards of performance from the principals. We are all aware of that. They also require the sort of benchmarking as per the Hay process that Seamus McDaid mentioned. Careful benchmarking with cognate professions in other parts of the UK and the world must be carried out. There is no question but that the salaries are high and that we must perform to a high standard to justify them.

The Convener: I am most grateful for our witnesses' time this morning. I know that you had to shift a meeting to be here, for which I am grateful. Thank you very much.

11:17

Meeting suspended.

11:21

On resuming—

The Convener: I welcome our second panel of witnesses: John Spencer is convener of Scotland's Colleges principals convention; Paul Little is principal and chief executive officer of the City of Glasgow College; Liz McIntyre is principal of Borders College; and Alan Sherry is principal of John Wheatley College. Thank you all for coming.

Liam McArthur: I think that we will notice a contrast in mood between the two panels. I acknowledge the cut in the settlement for colleges of 13.5 per cent in cash terms and 20 per cent in real terms. What impact do panel members expect such a budget cut to have on student places and activity in the further education sector over the spending review period?

John Spencer (Scotland's Colleges): Much depends on how the reform agenda develops and on the priorities for the sector that the Government has clearly set out in relation to the students whom we need to put first. Managing the budgetary reductions will present us with difficult choices—I think that that is the best way of describing it—but we have the guidance from Government. The challenge will be how we take account of and meet the needs of the learners who currently come to colleges who are not in the priority groups. We need to think through how we can deliver for them.

Paul Little (City of Glasgow College): The City of Glasgow College is unique in that it is the

result of a merger between colleges, so we are in a slightly different position. However, even though we are the largest college in Scotland and are responsible for one in 10 learners, the cuts will present us with real challenges. During the next three or more years potentially we will have to deal with cuts of £4.3 million—and that is on the back of the cuts that we have just had. Some 100 staff left the college last year and the figure over the next three years will potentially be in excess of that. Despite our size and scale, we are grappling with tough choices.

Two out of every five of our learners come from the most deprived postcodes in Scotland, so we must work hard to protect that provision. This year we tried to keep provision intact as much as possible, but that will be hard to do as we go forward. Colleges are resilient and pragmatic and will rise to the challenge, but it is a real one.

We are modelling the impact on student provision—it could be 7 per cent or more, but that depends on the areas that are affected. Although there are priority areas, we have argued that we are working valiantly to deal with a lost generation of older learners in Glasgow, who are important role models for the younger generation of learners. The challenge of accommodating that provision within a smaller financial package will be difficult to meet.

Colleges will work with their local communities and work as a sector to combat the problems, but there is no doubt that we face severe cuts, which we could describe as a game changer.

Liam McArthur: Mr Spencer, I am guilty of taking your name in vain during a recent parliamentary debate. You have made unambiguous remarks about the impact that the budget settlement will have on your ability to deliver on commitments that ministers have given in relation to 16 to 19-year-olds, retention of student places and compulsory redundancies. You alluded to the issue today, but your position sounded a bit more nuanced. Is it the same? Will something have to give? Is it the case that the commitments that have been made will not square with the budget that has been offered and that you will need to have discussions with ministers, officials and the funding council about priorities?

John Spencer: Yes, indeed. As Paul Little said, the challenge for colleges is pretty acute. The situation is substantially challenging. A difficulty is that the discussion is not happening in isolation; there is the context of what will happen in schools and the effect of the curriculum for excellence, what will happen to patterns of demography—we are all aware that the population of 16-year-olds will decline—and what will happen to older learners who are now 20 or 21. We do not know what the economy will do during the next five

years. All those factors will affect the assumptions that must be made about finding a way forward that meets the needs of particular groups of learners and a way forward that meets the needs of the rest, in the context of substantial change within a relatively tight timeframe.

It is also about handling the unexpected and the unpredictable and finding a path through that. That is why I am being slightly circumspect and not saying, “These are the key issues.” Of course, the key issue is ensuring that we are able to deliver the reforms. It is not clear whether there will be supporting funding to underpin the process of change—that is an important point. It is also not clear what will be expected of the colleges sector in three or four years’ time, given the uncertainty around the economy and the changing nature of the demands that are placed on us.

We need to take all those things into account, and the key issue—which is about designing the future—is whether the colleges sector will be in a position to meet Scotland’s needs and the demands that Scotland places on it in three or more years’ time. The immediate situation and the need to deliver change are challenges, but there are also challenges around the ability to position capacity in the right way to meet the needs of various client groups, including the group of students aged 16 to 19 and also older students.

I appreciate that that is not a clear answer, but it reflects the complexity of the context.

11:30

Liam McArthur: I appreciate that you are still wrestling with some of the detail.

At our meeting last week, Mark Batho from the Scottish funding council suggested that the process might have a destabilising effect on some colleges. I take it that you share that view.

John Spencer: We need to put the matter in context. Like other colleges, my college in Inverness had a reduction in funding this year. Its turnover is around £17 million. This year, I have made a saving in operating costs of £1.7 million through radical restructuring of the college and a change in how we deliver things and by working in partnership with other colleges, although they are at a distance from us, to find ways of working more effectively. That has led us to a new position, and we are now bedding that in.

Next year and in the years beyond, we expect further significant reductions in funding from Government. I believe that my institution can weather that change, but not all institutions have the same balance. My institution is a medium-sized college and critical mass is important in enabling colleges to maintain their stability, as are

other issues around the context in which they operate, such as how local their student profile is. Problems in those areas might make it extremely difficult, if not impossible, for some colleges to maintain their stability.

The Convener: I ask Liz McIntyre and Alan Sherry to comment. I am aware that they have not yet had a chance to speak.

Liz McIntyre (Borders College): As a rural college serving a relatively small population that is spread over a wide geographic area, Borders College has always had some quite difficult financial challenges. It is more difficult to gain economies of scale. We have to maintain a broad curriculum to ensure that the local community is well served, so we have already had to operate quite an efficient model just to make the figures stack up. Obviously, we had a 10 per cent cut last year, and we will have to think hard and creatively about how we might manage further cuts.

For us, there will be difficult choices. We fully understand that, where there are scarce resources, prioritisation is essential. However, there will be conflicting priorities for us to deal with. That will be the case even within our local areas, and we are aware that national or central priorities might not match up with our local priorities. Because of the nature of our region, we work closely with our local authority and our health board; coterminosity is strong in our area, which means that we are important partners in the delivery of the single outcome agreement. A lot of the things that we are delivering are tied up with that. However, we will be forced to disappoint our other partners with our contribution in that regard. We will have to reduce places, lose staff and turn away even more students than we already turn away. We have not been able to access additional funding over the past couple of years, we are not eligible for European social fund money for additional places and we were not eligible for the previous round of Barnett consequential funding. We have been trying to deal with diminishing resource for quite some time, and we will not be able to sustain that.

Alan Sherry (John Wheatley College): My college serves the most deprived communities in Scotland. Some 77 per cent of our learners live in the 20 per cent poorest data zones—about 71 per cent live in the 15 per cent poorest data zones. Our issues tend to be around poverty, ill health and poor previous educational experience. We have a focus on meeting the Government's agenda for 16 to 19-year-olds but, currently, 40 per cent of our learners are over 24.

We have concerns about drift and about abandoning a generation—a point that Paul Little made. The issue is more marked in our

communities because 95 per cent of our learners are from the east of the city.

Last year, we had radical restructuring and lost nearly £711,000 from our budget. Our modelling uses a figure of 12 per cent at the moment, which equates to about £800,000 or £850,000. In crude terms, that approximates to having about 275 fewer full-time learners, a head-count reduction of nearly 900, and possibly 17 staff redundancies.

We understand that these are hard times, but we feel that resources must be prioritised for the poorest communities in Scotland. A key function of further education is to help to address the Government's economic agenda of having a fairer, wealthier and healthier Scotland, but resources may not be available for cohorts of learners when they need them the most.

Destabilisation was mentioned. We have predicated our modelling on our flat cut and not on the basis of any reallocation to regions as suggested by the ministerial letter. At the moment, we do not know what the priorities will be for the reallocation of resources within regions, or from regions to other parts of the country. For us, there is an unknown, and I presume that we will not receive further guidance until December.

Liam McArthur: The figures that you gave for older learners are striking but probably not all that unusual across the college network. The cabinet secretary has made a commitment in relation to 16 to 19-year-olds, but because of specific problems in specific parts of the country, is some finessing of that commitment needed? Otherwise, older learners might be crowded out.

Alan Sherry: The ministerial letter of guidance gives the funding council the opportunity for finessing, but I am not sure how the council will do that. We are all skirting around some of these issues because we have not seen the exact parameters that will apply to our budget, or the metrics that will be used to allocate our budgets. The issue could be difficult.

The Convener: I cannot find it at the moment, but I think that the guidance letter says somewhere that 16 to 19-year-olds are the priority but—

Alan Sherry: The letter says that if resources are available, guidance should be given. For a college such as mine, where 40 per cent of learners are older than that cohort, that part of the guidance is especially important. We are not yet sure of the funding council's direction of travel in using the guidance, so we are just flagging the issue up.

The Convener: Discussions have still to take place.

Alan Sherry: Yes, but we have to base our modelling on the situation as it stands.

Claire Baker: The Government is claiming that substantial savings could be made through mergers and regionalisation. However, John Spencer's letter says frankly:

"Half of the funding cuts will fall in the first year—while the sector is currently absorbing a 10% cut from the last budget settlement. It is inconceivable that there will be savings from mergers being outlined in the Post-16 paper to meet that gap in that timescale."

John mentioned earlier the need for discussions on the need for additional initial investment. Although mergers might offer longer-term savings, it seems that they cost money in the short term—and the immediate problem that colleges face is next year's budget. Will we see savings from the Government's route? I do not imagine that we will.

John Spencer: It is highly unlikely. For there to be savings in financial year 2012-13, we would have to set up mergers—and implement changes to save on salary costs, which is where a large proportion of cost savings would come from—in the next eight months. Yes, some discussions about mergers are going on among colleges, but for colleges that are not in that position and come from a zero starting point, achieving significant savings in 2012-13—of the order required to match up to the budget—will be a very tall order.

In my experience of mergers—I have been involved in managing six different mergers, some involving serial mergers and others involving multiple mergers at one time—it takes longer than eight months to finalise a merger. Savings are realised in years 2 and 3 rather than in that first period. There is a question mark about that, which is what we highlighted in the letter.

Alan Sherry: A potential difficulty is that to date the funding council has not conducted an independent analysis of the mergers that have already happened in the college sector.

Mergers are part of the reform agenda but, as John Spencer suggests, it is difficult to get a feel for the timeframe in which mergers realise actual savings. When mergers occurred in the past, times were different, with growth and funding to support changes, including structural changes, both within colleges and in campus provision. It is a difficult one for us, because we have no data that allows us to say, "If we did X, Y and Z, we would clearly realise this saving within three, four or five years."

Claire Baker: The proposal for regionalisation is aimed at producing substantial efficiency savings. In the chamber last week, the Cabinet Secretary for Education and Lifelong Learning mentioned Glasgow City College as an example of where savings had been achieved but, as Mr Little has

pointed out, I understand that it is looking at cuts in student places of up to 10 per cent in the current year.

Where do the panel members think substantial efficiencies will come from through that process? Savings can obviously come through rationalisation of the estates or through looking at staffing, but is it not the case that, given the cut that the colleges are facing, part of the process will involve considering the number of places that can be delivered? This is not about only the efficiencies that you would usually expect to get from a merger. You will be expected to achieve more than that, which means looking at the number of places.

The Convener: Will Mr Little respond to that question first, so that we can clarify the position in the Glasgow college?

Paul Little: It is the City of Glasgow College; Glasgow City College is a private college.

What was quoted in the debate in the chamber last week was the regular report that I give to the Cabinet Secretary for Education and Lifelong Learning on the progress of the merger. As we are celebrating the one-year anniversary of the merger, we were able to give more substantive figures on it.

Before I give the specific figures, I should say that mergers are a fact of life in the further education sector. I have been in further education for 24 years. I spent 20 of those elsewhere in the sector, where in that time the number of colleges went from 26 to 23, to 17, to 16 and, finally, to six. There have been mergers across Scotland and so forth.

As I have said, a lot of myths are associated with those mergers. An important point is that every merger is context specific: what is achievable in the urban setting in Glasgow with the plans that we have put in place might not be achievable in a rural setting or elsewhere in Scotland.

In any event, we embarked on the merger of the three specialist colleges in Glasgow—remember that they were all successful colleges. Having merged those colleges, we were able to drive out from the system in the region of £4.4 million in the first year. Going forward, as we remodel what the impact of that might be, I would obviously expect us to do some backfilling of some of the posts that were held by staff who have left.

Some savings were achieved through voluntary severance and some were achieved through procurement opportunities and other reductions that are possible as one goes forward. For example, I am a member of Scotland's Colleges and my membership fee reduced by 50 per cent—

although it is still too large—so small savings can be made. We are in a special category of our own, so you get new developments going forward.

11:45

We are trying to balance out how we redeploy the savings to the front line. This year, when we took out the £4.4 million, we largely preserved the existing provision as best we could. We are in the slightly fortunate position of having some reserves that we can use to safeguard provision.

However, in our specific context, I would like to think that in the region of £2.8 million to £3 million can be saved every year, which might offset some of the possible reduction in provision. We are now in the era of the three new Rs—in other words, we are going from reduction to redistribution of regional funding to, unfortunately, rationalisation—and colleges the size of the City of Glasgow College are facing a lot of challenges in seeking to ensure that they engage with their curriculum map and safeguard courses. Our college has very specialist minority courses, and we have gone out of our way to ensure that, despite the cuts, they are safe. However, we are also seeking to grow in line with the economic agenda.

The position in colleges is always going to be dynamic and it is up to the college leadership and the governance of the college to ensure, in consultation with the staff and all stakeholders, that any cuts are as small as possible and are made in the right places.

The Convener: I might be paraphrasing her, but I believe that Claire Baker also asked about a 10 per cent cut in student places.

Claire Baker: I was not picking on City of Glasgow College—I appreciate that other colleges are facing similar challenges—but I was quoting from a publicly available document that says:

“A 10% reduction in course/student activity levels for 2011-12 will be targeted. It is hoped that this may be addressed through ... voluntary severance”

of staff.

Paul Little: I suspect that you are quoting from one of our board papers, in which we looked at all the modelling. Obviously we are still modelling for this year—the final outturn for the year is not complete—but I know that we have managed to make a small surplus over the past year. That said, the college is projecting a £1 million deficit in the year ahead. We have had to reduce the number of places in the college; of the more than 30,000 applications that we received for full-time courses, we were able to accept only 8,000—or, I think, a maximum of 8,500. We have reduced some of our provision with regard to the links that we, as an urban college, have with schools and

colleges but we have also tried to safeguard our higher education provision and as much as possible of our mainstream full-time FE provision. I am happy to write to the convener with the specific information.

The Convener: It would be helpful to have specific information about places. The clerks will ensure that you are clear about which paper we are referring to.

Claire Baker: My next question is for the other witnesses, particularly Liz McIntyre, who represents a more rural college. Given your geographical location, will you have the same opportunities to be involved in the regionalisation agenda? Obviously, certain colleges in the cities come together naturally. Do the same opportunities exist for, say, Angus College and Borders College, or are you concerned that those colleges might find it even harder to make savings because the opportunities are simply not there?

Liz McIntyre: First of all, the letter of guidance is far from clear about how the south of Scotland is to be treated in the regionalisation agenda. It recognises that the area is different but says nothing further.

You are right to suggest that there might be fewer opportunities to make savings through collaborations with other colleges. However, we can highlight a very good example of where collaboration with other sectors can create efficiencies. We share a campus with Heriot-Watt University; indeed, I think that we were one of the first HE/FE partnerships to develop a wide range of shared services, and we would hope that such collaborations might be considered. After all, you do not necessarily need to have a regional grouping of colleges or to force colleges or other institutions into mergers.

We work closely with our local authority. In our local authority area, there are nine high schools, each of which runs a sixth year. Looking at the efficiency of education provision across our region, I would ask whether that is efficient. Should the funding perhaps be focused in the college, which could meet the needs of lots of different parts of the area?

We have a specific concern about the guarantee of a place for every 16 to 19-year-old. As staying-on rates are high in our area, if a young person cannot get a college place or training scheme they will most likely go back to school. However, the curriculum that they follow at school will not necessarily allow them to progress: it may not be an appropriate curriculum or one in which they are engaged, and it will not move them into other learner pathways. I would like some of the problem and the challenge to be broadened out to include a look at other sectors.

Liam McArthur: My question is probably for John Spencer. The comments about the limitations on what can be done in the south of Scotland were interesting. Some of us have a Highlands and Islands interest, where there are the colleges and the wider regional structure of the University of the Highlands and Islands. Is there any suggestion that the area stands out with the new approach and that it will be rewarded for already having a regional model perhaps akin to what the cabinet secretary and the funding council envisage?

John Spencer: The Highlands are mentioned in the reform paper as being engaged in looking at a model that is perhaps different from provision in other parts of Scotland. However, I must echo what Liz McIntyre was saying about provision in relation to schools.

In the Highlands, my college engages with 26 secondary schools. The college provides a large programme of highs, which 19 of the 26 schools engage with. We have pupils studying in the college for a range of highs who are in years 5 and 6, and we have other students who stay in their school. Interestingly, in the Highlands we have lower participation in further education in college than elsewhere in Scotland but a higher staying-on rate in secondary schools. Again, in the view of schools as well as ourselves, a significant number of young people could be better served in that respect.

On the main point, we are already working together in a range of collaborative ways. It is interesting to reflect on the fact that the nearest college to my own is 45 miles away and the next nearest two are 120-odd miles away in opposite directions. The opportunity to share and have overlapping provision on which savings can be made is therefore small. However, we are working together in the context of the UHI partnership, but outside that partnership and as a collection of further education colleges, to develop curriculum provision that capitalises on the network nature of the University of the Highlands and Islands provision and builds on the same model. There is scope for development, and we are certainly working on it.

The Convener: I want to pick up on the point about the difficulty of the geography. It is completely understandable, but it does not eliminate the possibility of opportunities to collaborate and co-operate with other institutions on procurement or IT, for example.

John Spencer: Absolutely—and we already do that. That is the point: we are already extensively exploiting those opportunities, which is why we have already realised the savings that are talked about and why the scope to make further savings is more restricted.

Alan Sherry: Geographic distance is not the only barrier to a learner's participation. Although there may seem to be easy and sensible urban solutions in rationalising provision simply because of the distance to be travelled, that may not always be the case for a number of learners. For many, there are boundaries within cities and city regions that are as immense as a large distance to be travelled. There is also the issue of poverty, given travel costs.

Although it appears to be easy to draw a boundary round a city and concentrate general provision in a number of centres, that will disadvantage poorer communities in the city and will affect people's ability to access further education, particularly at the introductory level, to prepare for employment. We have evidence that simply changing the criteria for bursary support that relate to travel distances has had an impact on student retention and on learners' ability to participate in more advanced study when they are ready to move on to another college. There is a broader issue that is not only about geography.

The Convener: I accept absolutely what you say, but I am sure that you accept that some of the measures that we have talked about in relation to collaboration, such as backroom, IT or procurement changes, have no impact whatever on the student.

Alan Sherry: I do not suggest for a moment that there is no scope for backroom collaboration. Our college is part of the community planning partnership and is a close collaborator with the local national health service structure. We provide about 800 places for Glasgow City Council's schools vocational programme, and we provide an alternative curriculum for all seven secondary schools in our area. It is hard to find something that John Wheatley College is not involved in collaboratively in our area. We recognise that there are advantages in that, but the centralisation of the curriculum offer will impact adversely on communities such as those in the east of the city.

Clare Adamson: I have a question on the FE outputs. The ministerial guidance contains additional targets for colleges in relation to retention levels. There is also an indication that courses and qualifications need to be fit for purpose, with a sharper focus on jobs and growth. Those are long-standing challenges for some colleges, although others, such as Borders College, do comparatively well on their outcomes. What effect will the budget cuts have on the colleges' attempts to achieve some of those directives?

Liz McIntyre: Every college is highly committed to quality improvement. Success comes as a result of a range of measures. One key thing that we talk about is matching the qualification with the

ability of the student so that it is appropriate to lead them down the pathway that they want to go down. We are then committed to success if the student is going in the direction that they want to go in. The impact of the budget cuts on that will be the removal of choice. We might find a less appropriate offer.

As with John Wheatley College, we are particularly concerned that the people who are furthest from education will suffer the most if there is a reduction in the number of places. The more pressure that is put on colleges to achieve outcomes, the more selective they are likely to become. If there are fewer places, colleges are likely to become more selective still. They will recruit the students who are most likely to succeed on their chosen course, so the lost generation will be the people who already have the fewest chances. That is a concern, particularly in the Borders, where there is not really anywhere else for people to go.

Alan Sherry: I agree with Liz McIntyre. There is a danger that our ability to partner specialist agencies will be reduced. There will be implications for support staff, because of restructuring, and for specialist guidance support and the ability to refer learners on to more specialist organisations.

For colleges such as ours, the challenges of retention are not only linked to the college, because the main reasons for drop-out are ill-health or poverty. Although we have driven up retention rates in the past five or six years, there are some things that we cannot do. The blunt methodology that the funding council uses to measure retention takes no account of, for example, the flexibility that colleges use when a learner can no longer sustain a full-time course, but can become part time and remain engaged in the process.

Efforts to ensure that learners can sustain study and the improvement that college makes in their lives appear to be penalised in the statistics. There is a need for a more sophisticated understanding of retention. We have always taken the view that it is better that a learner remain engaged in learning, no matter what it means for us in the statistics that the funding council publishes.

12:00

Paul Little: One element that affects retention is the level of bursary support. Students come to colleges at the moment because there is a good level of bursary support. The Government is trying to maintain that, but it remains to be seen over the next few years whether it can continue to do so. That is a real challenge.

One of the benefits of merger is that a college of the scale of the City of Glasgow College has many more staff available to target students at a critical early stage in admission and inductions. For example, we established specialist student engagement teams so that a student with a range of problems could come to a one-stop shop in a large room about the size of this one and would have one, 15 or 20 individuals who could try to solve their problems. From walking round and talking to some of those student welfare officers and engagement staff, I know that one issue that concerns students is the potential for poverty and what support they can receive.

Retention in the early days is most critical—I agree with Liz McIntyre. We introduced an interview not to be selective as such, but to try to match students with courses more effectively so that we could challenge their aspirations appropriately and ensure that they were placed on the right level.

We have introduced a full-time student president and two part-time student presidents, which gives students a strong voice. We work closely with the student executive to determine whether we are still meeting students' continuing needs as they struggle.

We also have the added dimension of some 1,000 international students. United Kingdom Border Agency rules and the challenge of fitting into a new culture or situation create issues with their retention.

Early retention and continued retention are challenges, but colleges are focused on them. This is a useful reminder to us, but we are well aware of the importance of retention.

John Spencer: I concur with my colleagues' comments. The key point that comes through in what they said is the importance of intervention at the right moment—whether at the beginning, when students come in and decide which programme they should study, or as they go through their studies—and the need to be able to support students at points in their progression that are difficult for them. That means that colleges need to have a flexible resource that is ready and available to intervene at the crucial moment. That is a high priority for them, and that resource must be found from within the overall basket of resource that is available to us.

The point that Liz McIntyre made about offering a spread of opportunity at different levels that provide appropriate pathways and starting points for different learners in a rural or more remote environment is particularly challenging. It is the opposite extreme of what Paul Little talked about. If a college operates on smaller and multiple sites, it is more difficult for it to provide a comprehensive

service. It has to find different ways of doing that, and we are working on that at the moment.

The Convener: Mr Sherry, will you clarify what you said about the statistics? If a student changes from full time to part time, are they classified as having dropped out?

Alan Sherry: Yes. That is because of the way that the funding council calculates the statistics. The student has left one programme to join another and, therefore, has withdrawn. That hits the college's retention figures.

The Convener: I am sorry to be picky, but when you talk about a student leaving one course to join another, do you mean that the student is on the same course, but moving from full time to part time, or that the student is moving to a different course?

Alan Sherry: We at John Wheatley College are flexible and will rearrange a programme to suit a learner's needs, so courses will not have obvious full-time and part-time equivalents. If a student withdrew from a full-time programme, we might arrange several units that fitted round their lifestyle and enabled them to progress, which would not necessarily be seen as an award.

If a college offers a full-time programme and a part-time equivalent, a student who left the full-time programme to enrol in the part-time programme would be deemed to have withdrawn, which would hit retention figures.

The Convener: That answer is helpful.

I will make a general point. The figure from the Scottish Parliament information centre is that about 28 per cent of college students drop out of their course. That is a terrible waste for colleges, students and the public purse. I presume that you agree that it would be better if that figure was lower.

Alan Sherry: Certainly. We have put considerable effort into improving retention rates, which we have demonstrably improved, but colleges can have no impact on some challenges. We interview every learner to ensure that they are on the appropriate programme. That takes considerable time and resource, but it is a valuable use of that time and resource.

We have specialist guidance staff who are tuned into what the college has. We have put considerable effort into ensuring that teaching staff have had opportunities for structured guidance with students—we have kept that rather than removed it to make an efficiency saving. We have strong links with external partners. However, students leave for a number of reasons over which we have no control. Our experience is that most of our learners who leave do so because of ill

health—their own or that of someone for whom they care—or as a consequence of poverty.

Our bursary arrangements differ slightly from those of other colleges. When we were incorporated, we inherited a bursary settlement that the former Strathclyde Regional Council gave us. Post-incorporation, that funding has increased somewhat, but it has not grown in the same way as the college's size has. The next-nearest college to us in size receives about £300,000 more than we receive in bursary support for full-time students. That means that our learners have a bit more of a challenge in coming to college full time or part time in relation to our ability to support them. That is a historic allocation issue that we have raised with the funding council, but it has an impact on measures that we can take to improve retention.

As Liz McIntyre said, we all work hard at improving retention. We agree that we should seek to reduce the 28 per cent figure at every turn.

Clare Adamson: I have a quick question. You talked about your partnership work. Careers advice comes from schools, too. Given the retention rate, is that partnership working as well as it could? Is such work regionalised?

Alan Sherry: Those were two questions. I can talk about what we do at John Wheatley College. We work closely with our local schools and our local Skills Development Scotland Careers Scotland office. We spend considerable time on working with school colleagues to try to explain what the college is about and we have visits that involve staff. We make huge provision for our local learners. We also spend much time with our Careers Scotland colleagues. We speak to them about what coming to college means for different cohorts—the experience is different for young people and for older adults.

A recent challenge with Careers Scotland has been the considerable turnover in staff, which has meant a bit of a lack of continuity but, in the main, we have an effective partnership with Careers Scotland and our local schools to try to prepare learners effectively for coming to college. However, as with everything else, no plan survives engagement with the enemy. Despite good guidance, learners' expectations are often not met when they arrive at college. Occasionally, the challenge of college can be too great for external reasons.

Good guidance works effectively with professionals who share experiences and are confident about saying what has gone wrong. Regionalisation might be useful in providing a larger resource, but the nitty-gritty discussions that take place sitting down face to face enable people to understand the nuances. For example, we had

a good relationship with one of the partner colleges in Paul Little's merger—Glasgow College of Nautical Studies. We sent a considerable number of learners to more specialist programmes there. We worked out a joint approach on guidance and on what we would do to prepare our learners to move on to more advanced programmes 5 miles down the river, as it were. In our experience, that is how such an approach works, and it has worked well for most of our learners.

John Spencer: My point ties in to the statistic on retention that was mentioned earlier. When you start examining statistics at an aggregated level, you do not see the differences. The retention rate for lots of courses in colleges—ones with committed learners who are facing forward, who have clear objectives, ambitions and so on—is around 90 per cent. There are other areas of provision in which students are unsure of where they are going and are easily deterred, and they require a huge amount of support with learning and in terms of their personal circumstances.

We would all agree that we are driving hard to improve the overall statistic, but we need to recognise that, for many young people and older people, staying the course is a big challenge. We put in place everything that we can to ensure that people complete courses, but we must accept that students often do not necessarily complete the whole journey. However, it is important to remember that the fact that someone does not complete the full course and get the qualification does not mean that they have wasted their time; they might come back the following year and complete the journey.

As we all know, the further education sector is there to provide opportunities and second chances for those people for whom the school provision did not work effectively and to enable them to move forward. The sector is highly committed to ensuring that people get through the process. However, statistics of the kind that have been outlined are part of the challenge.

Paul Little: There is no complacency in the college sector around the issue of retention. This is in no way intended to be an excuse, but it is important that we highlight that we have a diverse community of learners and that they come from some of the most challenged backgrounds in society. For example, we work with learners who come to college on part-time provision courses, who have English as a second or other language—we refer to them as ESOL learners—and who come from a huge variety of countries. At the City of Glasgow College, we have students from 135 countries. Given that rich context and the challenges that those students face in fitting into Scottish society, you can imagine the pressures

that might cause certain students to drop out. Further, some of our learners drop out to get jobs. We operate in a vocational sector and people need money, so they take jobs—even part-time jobs—if they are able to.

Increasingly, colleges such as ours are developing personal learning plans for each student. We tend to do that online so that we can track a student's progress. It is important that we understand what a student wants and what their aspirations are as they enter college if we are to reduce the drop-out rate. I do not think that we are the worst in the education sector, but that is still a challenge.

Jean Urquhart: I hear what you are saying about people leaving because of difficult circumstances or, more positively, because they have got a job. However, I think that we need to know more about that. As John Spencer and Paul Little said, you court a huge number of people and encourage them to stay, which means that the number of people who potentially might not finish is higher than the 28 per cent who drop out. Presumably, that concentrates your mind hugely.

John Spencer: Yes.

Jean Urquhart: I imagine that it is of enormous concern, because it is key to so much of what we need to make work. I know that it is difficult to gather data on where everyone has gone, but I presume that the colleges are working collectively on how to address that.

12:15

Paul Little: I think that it was Stephen Covey who said that it was important to keep the main thing the main thing. For us, the main thing is the learner. If that individual learner has challenging life chances, we need to know what they are if we are to give them better support. Colleges actually set reducing retention targets, which are monitored not only every month by us but by the funding council both early on and with regard to outcomes. As a result, we can lose funding as well as students. However, if a student is not there, they cannot learn—so it is important that they are there. The course team builds an incredible relationship with these students, gets to know where the challenges lie and reflects that understanding through, for example, assignment schedules. We have a number of strategies to mitigate the situation. However, as I have said, we have all been involved in further education for a long time and although we are being increasingly effective in tackling retention it has always been—and will remain—an issue.

The Convener: Given the time, I want to move on with the questioning.

Liz Smith: I have a very simple question for Mr Spencer. You have described what will be a pretty rough time for colleges, given the very difficult decisions that you will have to make, and it all comes hard on the heels of Government's post-16 priorities. In making your financial or educational decisions, will you feel under pressure to go along with those priorities or will you make your rationalisations elsewhere?

John Spencer: The sector will need to take account of and work on those priorities. However, I point out that, given the hard choices that the sector will have to make, it would support and agree with the priorities that the cabinet secretary has set out. My sense is that the Government has the same position: hard choices have to be made and we will have to work out ways outwith Government funding of meeting the various priorities and needs that are not at the top of the priority list. Indeed, it is a key issue that we and Scotland as a whole need to address.

Liz Smith: Will all that have a detrimental effect on places for mature students?

John Spencer: If they are not the priority, it is likely that we will need to find alternative solutions. Colleges already provide a range of provision that is not Government funded and, in this case, such an approach might partly suggest a solution.

Claire Baker: In relation to the Government's priorities, John Spencer mentions in last week's letter

"provision for all 16-19 year olds from next year, improvements in retention, better support services and changes to course content"

and goes on to say:

"Given the disruption of the cuts, our ability to deliver these will be seriously compromised".

This morning's evidence session is all about budget scrutiny. The panel has talked about improving the learner journey, improving drop-out rates, providing second chances and forming school partnerships, and Mr Little mentioned the 135 different nationalities in his college. Can all that be delivered or built on with a 13.6 per cent cut—or what is actually a 20 per cent real-terms cut—in its budget over the next three years? The committee would appreciate some sense of what is under threat. Are we expected to believe that the sector can handle the cut with a couple of mergers or some reorganisation?

Liz McIntyre: Everyone wants to achieve efficiencies and divert funding to the front line. After all, we have heard how resource-intensive improving retention rates can be and how learner choice, particularly in our area, needs a breadth of curriculum.

I think that we all agree that the sector welcomes a reform agenda that will shift funding from the back room to the front line. I wanted to make that point to the committee. Our concern is that we are not sure how we can achieve the shift alongside such a front-loaded, quick and deep cut to the budget. In the short term and in the current environment, in which we are struggling with economic recovery and the impact of recession and youth unemployment, we will not be able in 2011-12 and 2012-13 to meet demand for students and the budget challenges without having a direct impact on learners, however much reform might bring savings and efficiencies in the future.

Paul Little: The City of Glasgow College has taken tough choices and tried to prepare for the future, which gives us an opportunity to be more flexible and to try to respond to the challenges. I am not saying that the sector needs wholesale mergers; mergers have to be engaged in where they are appropriate. There are other opportunities for closer collaboration and partnership.

However, the City of Glasgow College has demonstrated that the merger of successful colleges can, through careful planning, good governance and good leadership, deliver a better outcome than was delivered before, creating a better student experience and generating financial efficiencies that can be redistributed in the college sector. We are one year into the merger and I think that we have delivered for staff and students and for Glasgow. We are setting up a merger research and partnership centre—we hope to launch it soon—through which we will share our experiences on what worked well and what worked less well and on the benefits as we go forward.

We had an inspection during the year. The Education Scotland inspectors talked to students and staff and said in their report that there was no detrimental impact on the college experience during the period of the merger. I am not saying that that would be the case everywhere; we made it a number 1 priority of our reform agenda to focus on the learner—with laser-like focus—and I imagine that if other colleges embark on mergers they will do similarly.

Alan Sherry: I agree with Liz McIntyre, in that although I accept what Paul Little said, when his merger took place he had an additional £8.7 million to help to smooth out some of the issues. He has had resource that we are unlikely to have. Although we welcome the reform agenda, it will be extremely difficult in the first year to make the savings without having an impact on the learner experience.

The front-loaded nature of the cuts, in my view and I think in the view of John Wheatley College's board of management, is a bit too much, too

quickly. In an ideal world there would be no cuts; I accept that that will not happen, but if the cuts could at least be tapered during the period there would be an opportunity to plan more effectively in the way that Paul Little described for effective rationalisation and effective mergers, which might deliver savings over time. There are hugely competing agendas for all college managers.

The Convener: I am conscious of time, so I will summarise before we move on. You are saying that although you do not want cuts at all—that is a given—your major concern in the current circumstances is the profiling over the three years.

Alan Sherry: That is a huge concern if we are to deliver the Government's agenda. The front-loaded nature of the cuts makes that incredibly challenging.

Jenny Marra: We heard from university principals this morning. Tim O'Shea, the principal of the University of Edinburgh, said that the settlement for the universities is fair but tough. If the settlement for the universities is tough, I am not sure where that leaves the colleges.

We have talked this morning about a 20 per cent cut, but some colleges to which I have spoken estimate the cut at 25 per cent in real terms over four years. The Educational Institute of Scotland was here last week, and it estimates the cut at 29 per cent in real terms over four years, which is nearly a third. Liz McIntyre said that the cut would have a direct impact on students. I want to know whether it will affect student placements.

The Government promised us at the election that student places in further education would not be affected. Is that achievable given the cut? It also promised that staff would not be affected. As college principals, can you guarantee that you will not seek compulsory redundancies in your colleges as a result of the cuts?

Liz McIntyre: The short answer to that is no. I responded to the ministerial letter that colleges were sent just before the election to ask for assurances on compulsory redundancies. We will, as we are required to do by law, consider every possible voluntary avenue before we move to compulsory redundancies. Every employer—or every responsible employer—will do that anyway.

We had 22 redundancies last year, of which 11 were voluntary and 11 compulsory. We have moved towards being a very lean, efficient and cost-effective rural college over the past five years by collaborating with higher education and sharing services. I have no more slack left to offer voluntary schemes. There is nobody left who wants to go; everybody who wanted to go has already gone.

We took a very careful approach to cutting costs that preserved full-time places; we must be careful with regard to what the definition of a college place is. We reduced the contact hours for every student, so that students who were previously in for three and a half days, which we called a full-time course, might now be in for two and a half days, and we will call that a full-time course.

I am not sure that there is much room for manoeuvre. If I have to go back and look at everything again, I will have to start looking at areas of provision that are not priorities under the guidance and which can therefore be lost. No business in the world would lose their business and keep the staff who deliver that business; that is not a sensible proposition. If I no longer delivered floristry—to pick something that I do not deliver—and I had four floristry lecturers, would the Scottish Government expect me to use public money to pay the salaries of those individuals so that they could sit in the college and not do anything?

That is the challenge that we face with regard to compulsory redundancies. We—like everyone else—are absolutely opposed to compulsory redundancies, but it is just not possible to continue to maintain a financially sustainable institution without reducing our staffing costs. If we cannot do that on a voluntary basis, we will have to do it on a compulsory basis.

Paul Little: I would describe the cuts as a game changer. We must be mindful that the timeframe is probably too fast, and that some of the cuts, particularly in the first year, are too deep.

We have demonstrated as a college that we have protected the front line and our student provision. Only about a quarter of the 100-plus jobs that we lost last year belonged to lecturing staff, and most of them wanted to leave anyway at that point. That gives you some idea, but it is a unique circumstance when colleges are brought together; it is different from Liz McIntyre's college, which is more settled. We were able to reduce posts at tier 3, which is roughly assistant principal level in a college. We had around 30 potential posts, and we reduced them to 14 in the new college. We had 37 academic heads of schools, and we reduced them to 12.

We were able to make those savings, and whether or not we can continue to do that we are still in the fortunate position of having some flexibility. However, as we move towards the end of the spending review period and if there is a further cut in the next spending review, larger colleges such as ours will find it increasingly difficult to make savings without losing provision.

12:30

I suspect that some provision will be lost in the college. As we prioritise the younger students, I suspect that adult provision, particularly the leisure provision, will be a casualty. That is not unique. For example, in England, there has been huge rationalisation of evening class provision, particularly of leisure courses. Some of that provision is important to colleges because it provides doorways to higher-level study. Some people start a leisure course and subsequently change to a more structured or mainstream course. That provision could be a casualty.

We will have to continue to lobby hard. For example, we should keep one eye on the UK Government's recent announcement of a council tax freeze to see whether it releases any Barnett consequentials. Why should we not put in a plea for that money to go to help the college sector?

Jenny Marra: To clarify, are you saying that you cannot guarantee that there will be no compulsory redundancies or that you will protect all student places as a result of the settlement?

Paul Little: To be clear, the City of Glasgow College has a signed agreement with its staff that gives an employment guarantee for the three years to 2013. We were able to give that guarantee and I hope that we will continue to honour it during that time. I can give you that guarantee, for the next year anyway, although we will obviously keep the situation under review as we model the implication of the cuts.

Because the college has gone through a huge transformational change, we wanted to remove that anxiety for the staff. Anxious staff do not perform well in the classroom, so we wanted to remove that anxiety so that staff could concentrate on what they do best. We will look at the situation for teaching staff on a year-by-year basis. At present, the City of Glasgow College can give a guarantee of no compulsory redundancies. In the past year, we had no compulsory redundancies because all the redundancies were through voluntary severance.

It would be much more difficult to give you a guarantee on student provision without seeing the settlement that the funding council will give us. If it is a blanket settlement, that could impact on provision, but if it is regionally differentiated, we might be able to safeguard our provision. I am concerned that we will have to lose some of our provision over the three-year period, and that it will probably be adult and part-time provision.

Alan Sherry: I am with Liz McIntyre on the issue, in that we have become a very lean and efficient organisation. We were fortunate in that, last year, we made all the necessary changes through voluntary severance, but that would not be

possible now. I envy Paul Little his guarantee. We cannot give our staff that guarantee because there is not sufficient resource to do that. The game changers are different for all of us. That is part of the challenge that arises from the pace of the shift.

Paul Little can give the guarantee to teaching staff because, when he started the merger process, additional resources were available to do so. Liz McIntyre, John Spencer and I will not be in that position. That creates a regional dynamic. As Paul Little rightly pointed out, when teaching and support staff become worried about their jobs, that has potential implications for the learner experience, although those were not realised last year. There are tensions for college management, too, because the unions ask why City of Glasgow College can make such a promise but we cannot. That is one of the tensions that has to be managed.

Jenny Marra: The Government is very keen to maintain student places—it is a published policy. Are you feeling pressure from the Government to maintain places? How are you dealing with that in the face of the cuts?

John Spencer: The sector wants to provide places for as many people as possible. Everyone in the sector is committed to providing further education opportunities to people. Therefore, while it is a Government priority and policy, it is also the college sector's position. We want to provide the largest possible number of places that are right and tailored for individuals. However, we are saying that that will be challenging beyond the priorities that the Government has identified—in other words, outside the categories of students that the Government is saying are the priority. There is a recognition that it will be difficult to meet the full range of need and opportunities that people would like to see.

Paul Little: We welcome the bursary support. If that is maintained, or even improved, it will be a huge help to our full-time students—

Claire Baker: The Scottish Government has not given us any assurance that the bursary support will be maintained. We could not get that assurance from the Scottish funding council a couple of weeks ago, so we do not know whether it will be maintained, let alone increased.

Paul Little: We do not know either. I know that the Government, through the funding council, tried to maintain the support last year. Any influence that you can bring to bear would certainly help in that regard.

That is one factor outwith our control. We have to play the cards that we are dealt, and we try to do that fairly. In previous years, colleges have been overtrading—they have been subsidising provision beyond what they were given money for

in the agreed settlement from the funding council. Colleges will increasingly try to bring in additional income through commercial sources and other ways, but those sticking plasters will not help if the trend is to reduce the funding. I heard Universities Scotland call the settlement “tough”; it is extremely tough for the colleges. The cuts are severe.

Liz McIntyre: The definition of a place is important to help you understand the agenda. There is a difference between a place for a full-time 16 to 18-year-old student, for whom bursary support would not be an issue because they would not be eligible, and a place for, say, an unqualified healthcare support worker who is working in a care home or an acute service in the national health service and who requires an essential qualification. Which places are we prioritising? If we are prioritising the places for 16 to 18-year-olds, the other places might go. We might not be able to say to the NHS or our local social work department, “Yes, we can help you to train your staff, we can support your patient safety agenda, and we can support you in meeting your requirements for improving care for older people.” It is important to understand the term “place”.

We are required to carry out equality impact assessments of all of our prioritisation decisions, and we will do that. We would hope for an assurance from the Scottish Government that it, too, will equality impact assess its decisions. We are concerned about the impact of decisions on provision for the most vulnerable—individuals with disabilities and learning difficulties—and on part-time opportunities, which are largely taken up by women.

The Convener: I crave the panel’s indulgence for one more minute. I know that Joan McAlpine has a specific question on learning disability and, as you have raised it, I hope that we can deal with it quickly before we have to finish.

Joan McAlpine: A number of us have received a communication from the Scottish Consortium for Learning Disability. Several of its members have raised concerns about part-time courses being cut, often at very short notice. I understand that it conducted a survey in the past year and found that 34 per cent of places had been cut in part-time courses for students with learning disabilities, although it said that the situation was patchy across the college sector in Scotland. How do you respond to that, specifically considering how that affects the equality agenda?

Alan Sherry: We have not reduced our provision for learners with additional support needs. The college took a conscious decision to protect that area of the curriculum in previous years but, with the scale of the cuts that we are facing, we will have to look at total curriculum rationalisation. The ministerial guidance suggests

that we also have to look at certificated provision, and the college has moved to that when appropriate. That is the only form of provision that is likely to be supported. I am not surprised to hear the figure for the reduction, but there may be further reductions in the light of the settlement.

Joan McAlpine: If the reduction is greater than the cut—there was a 34 per cent reduction—surely that means that students with a learning disability are suffering disproportionately compared with those without a disability.

Alan Sherry: It is difficult for me to disagree with you, but I know that my college consciously protected that student group. That was one of our key priorities when we looked at rationalisation; other colleagues may have different priorities. I think that you will have a sense from all four of us of the difficulties and the issues for different colleges. It is a key issue for us in the area that we work in: disability is disproportionately higher in the communities that we serve. You can therefore understand the pressure that we have been under to ensure that the services are maintained. We have maintained them because they are important for our community.

That said, if there is a reduction of the scale that is planned, all areas of the curriculum are likely to suffer in some way or another. It will be a difficult balancing act. I was thinking that Tim O’Shea must have a part-time job at the fringe when he described his settlement as tough. For us, the situation is worse than tough. It is difficult to see any area of the curriculum that will not experience at least some degree of reduction.

Paul Little: Obviously, the figure that you give will have been checked, but I do not think that our college reduced provision in that way. The college has 11 buildings across six sites. We rent one of those buildings, which is largely for students with learning difficulties and disabilities, at a cost in the region of £250,000; we preserved that facility. In fact, for us as a new college, the individual student is the first value and the second value is equality and diversity. We celebrate that and, as I imagine the college sector in general does, we value the contribution that we make to those particular learners. I am surprised by that figure.

John Spencer: Similarly, in my college we made no reductions in that provision. Colleges have a partnership and relationship with local government and social services in the provision that is made for learners who have difficulties and students who have disabilities. I do not know that this is the case, but it may be that, in some cases, the dialogue between the colleges and other statutory bodies that are responsible has reached certain positions in terms of particular provision. In my own institution, however, we have increased provision by a small extent, and we provide for a

wide area of the Highlands across a range of different needs.

The Convener: I bring the evidence session to a close. Thank you for your time this morning—it was most valuable. The session has been longer than originally anticipated, but it was worth while hearing what you had to say. Thank you for your evidence; I am sure that we will raise many of the points that you have raised when the cabinet secretary appears before us.

Subordinate Legislation

Curators ad Litem and Reporting Officers (Panels) and the Panels of Persons to Safeguard the Interests of Children (Scotland) Amendment Regulations 2011 (SSI 2011/320)

12:43

The Convener: Under item 2, we have a negative statutory instrument to deal with. No motion to annul has been lodged, and the Subordinate Legislation Committee has determined that it does not need to draw the Parliament's attention to the regulations.

If members have no comments, I will ask the committee to agree that we make no recommendation to the Parliament on the regulations.

Members *indicated agreement.*

The Convener: Thank you.

Meeting closed at 12:44.

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