

Call for Views: Advisory Group on Economic Recovery - Colleges Scotland Comments

Introduction

Colleges Scotland is the collective voice for the college sector in Scotland, representing its interests and ensuring that colleges are at the heart of a world class education sector that is recognised, valued and available to all. Colleges Scotland, as the membership body, represents all 26 colleges in Scotland, which deliver both further education and around 26% of the provision of all higher education in Scotland.

These are unprecedented times however, colleges, their students and staff, have responded well by not only having the flexibility to quickly move to remote working and online learning, they are also helping to combat COVID-19 in many different ways. Colleges the length and breadth of Scotland are manufacturing and donating PPE supplies, donating food to local food banks to help support vulnerable students and families in their communities, some are offering buildings for hub use and social support, while others are providing their fleet of vehicles to frontline services. We are immensely proud of the college sector.

In the aftermath, colleges will be there too, ready to step up and assist with economic recovery in many ways from helping individuals who have lost their jobs to upskill and retrain, to assisting business of all sizes to get back on their feet and increase productivity.

Key Points

Significant macroeconomic and fiscal implications will change the economic context for the foreseeable future. What will be the shape and form of the recovery from the crisis and what will be the implications for the future growth and structure of the economy?

College Sector Role in Supporting Economic Recovery

Scotland's economy is forecast to suffer from a very significant contraction because of COVID-19 and colleges will be pivotal in driving economic recovery with their agility and ability to upskill and retrain people and provide them with the employability skills employers need.

Our expectation is that businesses will be pre-occupied with recovery and are likely to cut back on training programmes and apprenticeships. There is the real possibility that there will be increased numbers of business failures and redundancies in the economy. These will likely lead to an increase in the need for PACE type services. Colleges are ideally placed to support organisations across Scotland to rebuild their businesses and rebuild their confidence.

College Sector Role in Working With Small and Medium Sized Enterprises (SMEs)

Given the college sector's extensive networks and unique reach to SMEs, colleges are best placed to provide business engagement, support for innovation, and to drive regional economic developments and recoveries, whilst maximising the opportunities for learners.

We believe that consideration should be given to significantly expanding the scale and reach of the Flexible Workforce Development Fund (FWDF) to encourage employers to invest in work-based

learning to increase productivity and to include small businesses. Colleges have been instrumental in delivering workforce upskilling, reskilling and soft skills through full utilisation of the allocated £10million fund and have actively delivered against the requirements of the FWDF since its inception in 2017. It is this capacity of the college sector to provide skills support to employers that will be fundamental to Scotland's economic recovery post-COVID-19.

Different sectors and businesses will be impacted in different ways. What are the medium- to long-term consequences of the lockdown on businesses, including loss of employees, debt overhang, loss of markets, reduced investment and unemployment?

Consequences for the College Sector

The impact of the Covid-19 crisis will significantly exacerbate an already very difficult financial and operating environment for the college sector in Scotland. Audit Scotland's report, *Scotland's Colleges 2019* highlighted the precarious financial challenges already facing the sector prior to COVID-19. Without financial support, colleges will record a significant operational deficit for the year ending 31 July 2020, leading to a material reduction in the level of cash held by colleges. In some colleges, this will lead to insufficient cashflow to meet their financial commitments including staff costs and external contractual requirements.

We estimate that the loss in income across the sector will be in the region of £40m for 2019/20, with an estimated cumulative income shortfall of £100m in 2020/21.

The SFC has recently offered a welcome assurance on cash flows and some aspects of financial consideration, though there are additional queries which remain outstanding and we are working together to take these forward. We are also seeking assurances from the Scottish Government and Skills Development Scotland (SDS) to provide similar arrangements with milestones to support cashflow management to enable current business continuity and sustain the apprenticeship and employability training infrastructure, whilst also addressing matters regarding contractual payments.

Consequences for Young People and Apprentices

Our expectation is that unemployment levels are going to rise sharply with the likelihood that 19-25-year-olds will be hit hardest, leading to more young people needing to learn employability skills at college in order to give them a greater chance of moving into the workplace post Covid-19.

Significant numbers of young people will be 'catching-up' on learning after lockdown, and that very much applies to learners at college.

We envisage a significantly reduced demand by employers for apprenticeships as industry and commerce moves to 're-open' for business. There are already concerns within the sector around the situation for existing apprentices and whether they will return to complete their training, either for those who are currently subject to furloughing measures and those who have been subject to redundancy measures.

Conclusion

The college sector has responded exceptionally well to this crisis – it has agilely pivoted its entire approach to learning and teaching over a matter of days to remote delivery. We remain civic anchors at the heart of our communities and the Scottish economy and colleges will be key to swift recovery from the COVID-19 crisis.

Colleges Scotland
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