

Call for Evidence Inquiry: LIFES (Leading Innovation in Further Education & Skills)

Background

Traditionally, Scotland's colleges have been active players commercially, whether through the recruitment of international students and pursuing overseas markets to identify business opportunities or more locally by working with businesses to enhance skills and increase productivity in the workplace. However, this position was impacted following the reform and regionalisation of the college sector and the Office for National Statistics (ONS) reclassification of incorporated colleges in 2014. These significant changes brought several areas of complexity, particularly around financial accounting and governance, but did also provide greater accountability to the Scottish Government. Any commercial income streams received are considered in addition to the grant funding received from the Scottish Funding Council (SFC) and a college would need to spend this income in the same year or move the monies into an arm's length foundation (ALF)¹. However, colleges only receive around 70% of the required day-to-day operational costs from the Scottish Government², and so are dependent on commercial activity to generate vital resource to run the college.

Innovation, Skills and Productivity

Increasing levels of business innovation is a priority identified in the Scottish Government's Economic Strategy and Programme for Government, and we believe that Scotland's colleges have a key role to play in encouraging and supporting an innovative economy, facilitating knowledge transfer of skills for innovation within the economy, providing business incubator space and ensuring access to resource to aid start-up of ventures. Previous interventions to help colleges engage more strongly with business were shown to be successful when reviewed³. However, the environment has changed significantly as a result of the recent sector wide reform towards regionalisation, as well as the impact of reclassification. In this new environment, the role that colleges can play has not been sufficiently recognised and especially their particularly effective relationships with SMEs, which are the engine room of the Scottish economy, but which are generally hard to reach and engage.

Innovation for SMEs is focused on skills innovation, for the benefit of the SME and the wider economy. The effective working relationships and knowledge between colleges and SMEs within a region means that colleges are ideally placed to support SMEs in relation to innovation, including acting in partnership with universities and innovation centres. To aid this relationship and maximise the benefit within the new regional landscape, and following reclassification of colleges as public bodies, colleges need to look afresh at developing the capacity for regional engagement to:

- work with universities and innovation centres
- support innovation
- roll out business incubator space
- ensure access to resource to aid start-up of ventures.

These work streams can be viewed as four separate, but related, programmes.

¹ ALFs are fully independent from colleges and are charitable organisations that must comply with the Articles of Association that established them.

² Audit Scotland, Scotland's Colleges 2015, April 2015

³ Frontline, November 2011, Evaluation of the Developing Employer Engagement Programme and the Knowledge Transfer Grant

Areas of activity on innovation are already underway with the establishment of the SFC's Research and Knowledge Exchange Committee, the Innovation Scotland Forum and the Bridge 2 Business programme. However, whilst some work is involving colleges, they so far have had minimal opportunity to bring their contribution to the innovation agenda. Colleges Scotland is seeking to continue to contribute to this work area, whilst building capacity to maximise the college sector's contribution to business innovation and fostering an enterprise culture. In order to capitalise on the potential, and realise the benefits to the Scottish economy, Colleges Scotland is suggesting that four work programmes to be taken forward. Further details on these work programmes are set out below:

1. Work with Universities and Innovation Centres

The Innovation Centres, based at Scottish universities, are delivering business-led innovation across some of Scotland's economic sectors. This investment in Innovation Centres is considerable and amounts to over £120m. Given the links between innovation, skills and entrepreneurship, the college sector could clearly make a real contribution to the work of the Innovation Centres. Some colleges have already had engagements with those Innovation Centres where they have shared interests around particular industries and sectors, such as Forth Valley College engaging with Oil & Gas Industry Centre (OGIC) and Industrial Biotechnology (IBiolC).

2. Support Innovation

College innovation is more focused on skills innovation i.e. delivery and design, industry engagement, networking, bespoke and transitional training, transfer of skills and knowledge exchange. Regional colleges are now able to better engage with business, particularly SMEs.

What is important to many businesses is staying competitive, improving productivity, improving the bottom line, growing markets and expanding into new markets, as well as networking and 'pooling' of expertise with other companies in the supply chain and knowledge exchange. Colleges across Scotland work closely with local businesses in their own geographic area as well as those for whom a college can provide specialist advice and support. Employer engagement is two-way and mutually beneficial and includes:

- Workforce planning
- Employee training and skills development
- Business process improvements
- Product development
- Development of work placement opportunities for college students
- 'Live' projects for students
- Development and shaping of curriculum
- Skills/vocational academies
- Job brokering
- Digital development.

This list is not exhaustive but illustrates the range and scope of activities that are at the heart of what colleges do, and can help contribute to the economic growth and the performance of local businesses.

Clearly there is an opportunity to maximise that mutually beneficial relationship with employers and business, including SMEs. Colleges Scotland is seeking to further develop colleges' work with businesses in order to support them to be more competitive, to improve their bottom line, to expand into new markets, to ensure effective workforce planning and training.

3. Establish and Promote Business Incubator Space

The considerable improvements to college estates over the past decade has created attractive campus locations with opportunities to host business incubator spaces. Many students leave college with well-developed competence in vocational skills, such as building trades, computer technical

support or the beauty industry, and some will go on to establish their own businesses. These business start-ups are important to the economic health of a community, and are recognised as such through the advice and practical help that they can access through Scottish Enterprise and other agencies committed to enterprise support.

The establishment of business incubator spaces that are co-located with a local college campus would provide a supportive environment in which business start-ups could flourish, offering guidance and resources. Having a local business incubator is also beneficial to colleges and universities in the region. Incubators often include technology-driven businesses that are able to participate in technology transfers with colleges and universities. Also, incubators can provide college students with internship opportunities in their fields. Beyond internships, business incubators can provide employment opportunities for recent college graduates seeking to remain in the community.

Scottish colleges wish to demonstrate their capacity to provide business incubator services to their graduating students and local entrepreneurs, in order to provide the underpinning support that would be necessary for start-ups to be successful.

4. Ensure Access to Resource to Aid Start-up of Ventures

Following the reclassification of colleges as public bodies, they are no longer able to hold reserves. This has significantly restricted the ability of colleges to make strategic decisions around using resources up-front to develop an area of benefit to the college and its students.

These areas of benefit could include additional curriculum areas in response to a particular skills need identified or commercial ventures that will bring additional income into the college sector, but which require resource up-front to develop.

For example, one college purchased specialist high voltage equipment costing approximately £250k primarily to deliver commercial training to industry, thus taking advantage of a new commercial income stream.

Another example is related to a college securing a commercial contract to deliver training on site in China. To achieve this, the college had to undertake two visits to China with several staff, as well as staff time preparing and analysing the requirements. The total cost of the upfront investment was approximately £30k.

Colleges Scotland would wish to see the provision of a strategic funding stream that colleges can gain access to, on a case-by-case basis, in order to have availability to 'pump-prime' funding.

Summary

The above submission sets out the key areas that Colleges Scotland considers are critical in order for colleges to fully contribute to innovation, and therefore assist in delivering greater productivity gain for the economy.

Colleges Scotland

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