

**Response to the Call for Evidence
of the Enterprise and Skills Review
August 2016**



1. Introduction

The college sector plays a vital role in the Scottish economy and the provision of skills for Scotland's workforce. We welcome the opportunity to input to the Scottish Government's review of its enterprise and skills agencies and that we have representation on the Ministerial Review Board which is overseeing the review.

Colleges Scotland would welcome further discussion with the Scottish Government in order to feed in additional commentary over the coming weeks as the review progresses.

2. Response Overview

Colleges Scotland fully supports the Scottish Government's ambition for Scotland to rank in the top quartile of OECD nations for productivity, equality, sustainability and wellbeing. We believe that in order to achieve this ambition there needs to be a fundamental shift in how the government and its agencies work with colleges, the private sector, universities and other key stakeholders, including the agreement of a shared vision, strong leadership both nationally and regionally, and a better aligned and a simpler policy and funding framework that is focused on delivering results that directly contribute to our shared vision and much improved opportunities for our economy.

We believe that the following would make a significant contribution to achieving Scotland's top quartile ambition:

- Shared vision across all key stakeholders (colleges, private sector, universities, third sector and government and its agencies) of how we achieve the fundamental shift in our performance including common cause and collective commitment to how we will actually deliver that shared vision.
- Stronger political and executive leadership at national and regional levels that can develop the right strategies, policies and investment frameworks to deliver the shared vision, underpinned by a clearer and simpler set of measures that can help to measure success and inform future decision making. We can build on the successful outcome model already in place in Scottish Government and refined through the regional outcome agreements to deliver ambition and strategic policy. Consequently, there is need to ensure that we make better use of the leadership skills and intellectual capital that exists within our colleges, particularly in delivering greater success at a regional level.
- Better recognition of the national and regional dynamic and a more flexible policy and funding environment that is based on what works best, with much greater emphasis on sharing best practice and intelligence across organisational and regional boundaries to make a real difference. Colleges and universities have a critical contribution to make at the regional level in terms of leadership, intellectual and physical assets.
- Enhanced understanding of the wealth of publicly funded assets that exist across Scotland and a more conscious and focused determination to achieve a better return on those assets.
- Stronger and more focused coordination across the public sector agencies and a decluttering of the organisational led policies, interventions, funding methodologies and accountability regimes that currently exist.
- Much greater emphasis on innovation and internationalisation which encourages and rewards entrepreneurship and enterprise and seeks to mainstream "what works best" in a more deliberate, timely and agile way.
- Improved recognition of the fundamental importance of skills in delivering a step change in productivity, equality and wellbeing and the development of a single system approach to achieving that end.

3. Key Themes

Colleges Scotland has provided a response that consists of three key drivers, in order to build on the current system and to bring considerations for the future. The three key drivers are:

- Delivering skills for the economy, in partnership with other key stakeholders
- Delivering innovation, for the benefit of learners, society and economic growth
- A flexible regional approach, with colleges as Regional Skill Hubs.

In addition, Colleges Scotland has identified three cross cutting themes that are relevant to each of the above drivers. These cross cutting themes are:

- Entrepreneurship
- Enterprise
- Productivity.

3.1 Skills for the Economy

The college sector embraced the opportunity to lead the development of strong regional groupings of colleges to improve skills in their areas and across Scotland as a whole. These new structures have led to the:

- creation of regional colleges of scale, able to plan regionally and deliver locally across Scotland; and
- mapping of college regions in Scotland, driven by the learners' need and determined on patterns of learners' study and travel to allow for efficient curriculum delivery, preventing duplication and widening access for inclusive growth.

Colleges already engage with key stakeholders (e.g. local authorities, SDS, enterprise networks and other community planning partners) to discuss joint planning to meet regional skills needs including the contribution of regional outcomes.

Scotland needs an efficient and effective model for skills that will deliver enhanced public value and help drive growth in the Scottish economy, and where colleges are:

- an integral and valued partner in a shared vision for the delivery of new opportunities through skills, education and training for Scotland's economy
- an integrated model of academic and practical expertise in the development of skills to and from students and the key industries of Scotland
- at the heart of the decision making process
- providing strong leadership, alongside strong political leadership.

3.2 Innovation

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. Innovation is a priority identified in the Scottish Government's *Economic Strategy* and Programme for Government.

Innovation for small and medium-sized enterprises (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.

3.3 Regional Structures

There would be great benefit in more coherent and consistent strategies across skills, education, careers advice and employability in Scotland. Colleges have a fundamental role in this, and can bring the strong leadership, along with the political leadership, that is required to help build on the current roles of the agencies and to ensure a more effective and efficient approach to skills and enterprise.

A strong regional focus is required and colleges should become Regional Skills Hubs. More regional autonomy for colleges managed through the Regional Outcome Agreement process would bring direct benefits to businesses. Colleges would combine the work they already deliver for local businesses to address the demand for apprenticeships within a region and assess the need for training and providing upskilling. The benefits of the regional approach to skills development would be used to work more closely and consistently with local schools, universities, employers and Community Planning Partnership to ensure that a dynamic approach to the regional economy will assist with a functional skills pipeline and a genuinely joined up view of widening access and the learner journey.

Regionalisation within the college sector in Scotland has produced a range of organisational structures, such as the 10 single college regions and the three multi college regions, with each of the multi college regions having a different structure. Whilst this does not prevent a Regional Skills Hub approach, care will be needed to ensure that the differences within the college regional structure are taken into account.

3.4 Cross Cutting Themes

There are a number of themes that cut across each of the three main drivers identified above. These are: Entrepreneurship, Enterprise and Productivity.

It is crucial to ensure businesses have access to a supply of entrepreneurial and innovative learners equipped with the skills, training and appetite to join and create growing businesses. Scotland's colleges are ideally placed to educate entrepreneurs to help develop their potential business concepts and make a more informed choice when considering the idea of enterprise creation and in particular their suitability to running their own business.

Colleges can add value to the vocational training opportunities already offered by linking potential knowledge economy entrepreneurs with academia, which has been proven to stimulate and accelerate successful ventures. A very wide range of different outcomes could be envisaged from hard economic outputs such as:

- Creation of an environment where enterprise will flourish where the rate of new business start-ups is growing steadily (including people from currently under-represented groups).
- Generating a secure and supportive space for potential entrepreneurs including advisory services and infrastructure required to successfully develop a local area's emergent technology business base.
- Transfer of knowledge and skills from education to industry and vice versa.
- Increases in informal mentoring and exchange of advice.

4. Considerations

We would urge the Review Group to consider the following practical considerations:

- A restructuring of the agencies, without addressing the overarching leadership, policy and funding environment would, at best, be a missed opportunity and, at worst, be an unproductive and unfortunate diversion from tackling the real challenges facing Scotland.
- Strong agencies operating at arms-length from the government should continue to be a feature of the Enterprise and Skills landscape but the critical role of the civil service also needs to be recognised. This should include a fundamental look at how the civil service directorates contribute to the achievement of the shared vision and the role that they can play in securing stronger planning and co-ordination and clearer and more agile lines of authority and accountability and investment in a pan Scotland outcome model.
- Creation of an overarching Enterprise and Skills Board for Scotland, chaired by the Deputy First Minister, and included amongst its membership chairs of the agencies and representatives from colleges, universities, business and local government.
- The Enterprise and Skills Board should be charged with developing the shared vision and the associated strategy and performance measures to deliver that vision. The board should also exercise strong leadership to require better co-ordination across the government agencies, while encouraging involvement and leadership from colleges, universities and industry.
- Make better use of the valuable intellectual and physical assets within colleges to deliver the shared vision, with an increasing involvement of college principals and other college leaders, working with business (including SMEs) in leading innovation and successful delivery particularly at a regional level.
- Rationalise and simplify the policy and funding regime and rather than restructure the agencies in the short term, require the chairs of the agencies and their boards to work together in common cause. For example, college funding administered by SFC could be combined with SDS funding and recognised as a single source of funding, with a single interface to colleges.
- The intellectual capital, expertise and experience of colleges in delivering skills for business and the economy should be recognised with colleges playing a much more prominent role, working with business and supported by the agencies, to develop solutions to deliver on the ambition to get Scotland in to the upper OECD quartile. This would be a fundamental and positive shift in the dynamic. Failure to maximise college involvement would be a significantly missed opportunity. We believe that universities should be similarly recognised in the Enterprise and Skills landscape in relation to innovation and internationalisation.
- The public funding framework for enterprise and skills has not fundamentally changed over the past couple of decades, with a funding regime geared towards organisational need and stability and less towards delivering what is required by the needs of the country and economic and social success and cohesion. There needs to be a much greater concentration and emphasis on funding “what works”. The Scottish Government and its agencies should focus on creating the right policy environment and associated funding regime to achieve the shared vision while getting in behind colleges, universities and business to deliver a fundamental step change in Scotland’s performance.

Colleges Scotland
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