

Framework for the Resource Spending Review – Colleges Scotland Comment – January 2022

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 24% of the provision of all higher education in Scotland.

On behalf of the college sector in Scotland, and as the body responsible for developing and submitting the sector's Spending Review Submission to the Scottish Government, we welcome the opportunity to provide our views regarding the Framework for the Resource Spending Review to the Finance and Public Administration Committee.

Current Context

The draft Budget settlement for 2022/23 translates into a real terms cut to funding for colleges, leaving institutions without the resource they need to deliver some key aspects of provision that relied on COVID consequentials last year. It is important to be clear that the 2022/23 settlement is not an isolated budget outcome for the college sector – this most recent budget adds to the pattern of reducing investment over many years to the funding required to pay for the day-to-day operations of colleges.

The Revenue available to the sector is a flat cash position and therefore represents a real-terms cut to the core budget of £23.9m in AY2022/23 due to inflation, even before rising costs related to increased pay and rising energy costs for Scotland's colleges are taken into account.

Colleges received COVID consequentials in early 2021 to support deferred students, Foundation Apprenticeships, mental health and wellbeing initiatives and the provision of digital equipment for students. This funding has not been continued into 2022/23, leaving colleges with a further reduction of £28m on its baseline budget compared to AY 2021/22. This is in addition to the cost of inflation. Therefore the total reduction in the college budget for 2022/23 is estimated at £51.9m.

Colleges were already facing a series of cost pressures prior to the impact of COVID-19, including increasing cost pressures from cost of living pay awards, employers' pension contributions, maintaining the college estate and the UK's exit from the European Union.

As highlighted by Audit Scotland in its [Scotland's Colleges 2020 report](#) the deficit gap between colleges' total income and expenditure has grown to £54 million. This is forecast to continue because of costs outwith the sector's immediate control, such as pensions and depreciation of assets. Robust long-term financial planning by colleges will be critical to achieving financial sustainability and auditors have highlighted a significant number of colleges that need increased funding, cost cutting - or both – to deliver balanced budgets in the future.

Key Points

How clearly does the Framework set out the Scottish Government's priorities for the resource spending review?

Whilst the Framework clearly sets out the Scottish Government's priorities for the resource spending review, in the form of child poverty, climate change and economic transformation, it is far less clear what the role of different key stakeholders will be in supporting the Scottish Government to meet these priorities in practice.

There should be a much stronger consideration of the role of colleges in supporting the Scottish Government to achieve the delivery of activity against these priorities, especially given colleges are, and will continue to be, the powerhouses of Scotland's recovery from the Covid-19 pandemic.

The harm which has been caused to young people, individuals in work of all ages, and to the structure of the economy, requires a strong skills-led recovery over the coming years. Scotland's colleges are the best place for the seeds of recovery to take hold and flourish, already holding the expertise and ability to deliver reskilling, upskilling, career improvement and holistic support to people locally and regionally, across the country. Colleges already support a disproportionate amount of people from the most deprived SIMD areas into employment and opportunities, tackling poverty and providing equity of opportunity and student experience.

Going forward colleges across Scotland will also continue to help Scottish workers, and Scottish apprentices, to keep pace with technological, environmental and labour market changes and to increase workforce and business resilience to future disruption as the economy both recovers from the impact of Covid-19 and transitions to a net-zero, low-carbon inclusive format in response to the Climate Emergency

The impact of colleges realises the Scottish Government ambitions of supporting learners, widening access to education, closing the attainment gap, and providing a platform of skills provision for truly inclusive growth. The elements of this submission also support wider Scottish Government policy drivers and strategies, including those focused on the recovery from the impact of the Covid-19 pandemic.

What should be the overarching priorities in the resource spending review and how adequately are these currently covered in the Framework?

We would echo the findings of the Finance and Public Administration Committee in their pre-budget report that the overarching priority should be to take the opportunity available to move away from the pressures incurred by a one-year budget cycle, and to create the fiscal space for investment in long-term initiatives and measures.

Whilst the priorities of Child Poverty, Climate Change and Economic Transformation are all agreeable and adequately covered within the Framework as presented, there needs to be a much stronger consideration of the role of education, and college education within that. We would advise that given education will support all of these three overarching priorities that education should be incorporated into the Framework as a fourth priority. In doing so there should be a concerted focus on using the opportunity provided by the Resource Spending Review to assess and adapt the current funding of the education sector, and of the college sector as part of that.

To allow for better planning and use of resources, the college sector is seeking a move away from single year settlements to multi-year funding. This will provide a more stable basis for colleges and regions to plan provision and to invest in both the curriculum and infrastructure. Multi-year funding reduces risk and builds commercial and operational resilience.

This must include addressing the impact of the Covid-19 pandemic on the loss of learning experienced by college learners, with the introduction of mitigation measures and additional support to ensure that those impacted in colleges are not disadvantaged. The loss of learning also interrupts the skills pipeline, with the knock-on impact on ensuring the provision of a skilled workforce to help the economy of Scotland to recover and transform

The college sector is seeking sustainability with its core budget for the college sector, one that provides a streamlined and simplified approach to funding. This will allow clarity over levels of resource, reduce unnecessary bureaucracy so that resources are maximised for the learner at the frontline, increase the ability of the sector to plan effectively, as well as deal with the inherently unfair starting point for funding the different sectors across the education system. Sustainable funding on multi-year basis will maximise the role of colleges as civic anchors in committing to community initiatives, supporting city and region deals and regional and local economic activity.

Does the Framework properly reflect the current economic and political context?

The Framework reflects the current economic and political context but does not adequately reflect the current context for the college sector, following on from the publication of both the 2022/23 Budget and the Scottish Funding Council Review of Coherent Provision and Sustainability, as well as the Scottish Government's earlier stated priority of education at all levels.

At present, further and higher education funding appears to be one of the "hard choices" rather than one of the three "priorities" as described by the Finance Secretary, which are carried through from the 2022/23 budget document into the Scottish Government's published consultation exercise on the Resource Spending Review

The role that colleges continue to play in Scotland's recovery from COVID-19 cannot be overstated, providing individuals not just with education, qualifications, and training but also with a high level of holistic support – making up for lost learning, providing a scaffold of mental health and wellbeing support, and giving students access to financial support.

How does the Framework approach cross-cutting issues, long-term challenges such as demographic trends, and preventative approaches?

We would advise that whilst the Framework takes a comprehensive and holistic view of the array of cross-cutting issues and long-term challenges that will influence and impact upon the Scottish Government's resource spending, there is a question as to whether there is a sufficient level of detail in the document as currently presented to inform long-term decision making on areas such as education.

As alluded to above, any multi-year spending review will be critical for longer-term planning for colleges and will provide the best platform from which to tackle those long-term challenges, as opposed to the short-term decision-making context at present.

How well do the priorities in the Framework link in with National Performance Framework outcomes?

The priorities in the Framework are clearly informed by the National Performance Framework, as is stated within the Framework document itself.

We would advise the Committee that effective and sustained funding of the college sector stemming from the Resource Spending Review would go a significant way towards delivering the attainment of the National Performance Framework outcomes in practice: giving opportunities to all people living in Scotland, increasing the wellbeing of people living in Scotland, supporting the creation of sustainable and inclusive growth whilst reducing inequalities and giving equal importance to economic, environmental and social progress.

Conclusion

We would welcome the opportunity for future engagement with the Finance and Public Administration Committee on the views expressed in this submission to inform its response to the Scottish Government's Framework consultation.

Colleges Scotland
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