Economy, Tourism and Energy Committee Pre-Budget Scrutiny Call for Views – October 2026

Questions – to be submitted via Citizen Space

1. **What are your views on what the spending priorities should be in the Scottish budget 2027/28 in terms of the economy, tourism and energy sectors?**

   Scotland faces acute public spending pressures. There is a need to prioritise spending which will deliver greater returns in supporting economic growth and increased tax revenues, tackling child poverty and enabling the transition to Net-Zero alongside complementing Public Service Reform. Colleges in Scotland today are currently delivering against all of these key Scottish Government priorities.

   On this basis, the Scottish Government through the 2027/28 Budget should continue to focus on the role of the college sector in supporting the economy, tourism and energy sectors, and in particular the contribution colleges make to support individuals to enter the Scottish economy and these sectors. Colleges should become the primary delivery mechanism for workforce development in these sectors given their geographic reach across Scotland.

   Every major economic priority in the Scottish Government Programme for Government depends on having the right skills delivery landscape in place. Whether the objective is increasing economic growth productivity, growing tourism or delivering the just transition to net-zero, colleges are the institutions that turn public investment into a skilled workforce, economic participation and regional growth, whilst tackling child poverty and increasing labour market participation.

   To increase labour market participation across the economy, and within the tourism and energy sectors, there will be a requirement for the Scottish Budget to support colleges in addressing the following key skills landscape challenges:

   - Gaining participation in the labour market of those who are currently not in work, education or training, and with support for people who face barriers to work such as neurodiversity or disability, rurality or other barriers. Barriers to work in Scotland are well understood and preventative spend, including investment in childcare, mental health and wellbeing services, student support funding, transport and ASN services would bring about more labour market participation. Colleges are responding to some of these challenges, for example offering courses which start after school drop off time and end before pick up time, allowing parents (predominately mothers) to participate in training. These types of adjustments are not widespread due to lack of investment in the college sector and the additional costs involved in these course offers.
   - Ensure access to appropriate training, qualifications and upskilling which are aligned to Scotland's economic needs and those of the tourism and energy sectors. There should be a close understanding and a will to increase upskilling and retraining capacity across Scotland, to quickly help people stay in employment, change role, or re-join the labour market. This should be informed by National Skills Planning as led by Scottish Government.
   - If the aim is to keep people in work for more years across the economy, then many publications and reports have evidenced the absolute need to invest in people in terms of upskilling and retraining. Colleges are the place in Scotland where that activity should be taking place. A guaranteed lifelong learning commitment would be needed to enable this to

occur. For people starting their working lives, colleges would support more apprenticeship places being available, and more access to work-based learning which is supported by Scotland's colleges. This requires preventative spend and investment.

The Scottish Government should continue to collaborate with the college sector in Scotland to continue the delivery of targeted upskilling and reskilling initiatives to both support individuals to enter key sectors of the Scottish economy, including the tourism and energy sectors, whilst reducing sector shortages in areas including Health and Social Care, supported by flexible funding approaches. This should be informed by ongoing developments related to the implementation of National Skills Planning and Skills Needs Assessments.

As part of the 2026/27 Budget the Scottish Government is investing £10 million in the college sector through the RISE (Raising Income through Skills and Education) initiative to support families at greatest risk of poverty to access the skills and education they need to enter, sustain and progress in work, alongside introducing a £2 million Training Access Fund to provide access to training opportunities for people in low-paid work and a £10m Flexible Workforce Development Fund to incentivise employers to support employment and progression opportunities for individuals. These initiatives should be continued in 2027/28 to enable Scotland's colleges to deliver further opportunities for these individuals to move into Scotland's economy.

These actions will also begin to offer a response to the challenges identified in the Milburn Report regarding young people and work, and in particular to enabling those young people currently classed as NEET (Not in Education, Employment, or Training to gain access to upskilling and reskilling with which to enter the labour market and contribute to the tax base and support economic growth. This response should also incorporate additional core revenue investment for colleges which will enable them to accommodate the demand for college places including in priority sectors for the Scottish economy. Colleges are currently unable to do this which may in part account for increased inactivity levels for young people.

This should be combined with a focus on continuously improving Careers Information, Advice and Guidance to ensure that young people at school and college have awareness of the opportunities through Pre-Apprenticeship and Modern Apprenticeship pathways, whilst better preparing and enabling learners to succeed in careers in the tourism and energy sectors. This should include college engagement for all school pupils on a mandatory basis. Taken together these actions will enable more people to enter the labour market and grow the tax base whilst contributing to Scotland's economic growth.

2. What are your views on the impact or outcomes spending on economy, tourism and energy is delivering?

Current Scottish Government investment in the economy, tourism and energy sectors is creating important opportunities for growth, innovation and sustainable development. However, the success of these investments ultimately depends on people. Colleges provide the skilled workforce that businesses need to grow, communities need to prosper, and Scotland needs to deliver its economic and net-zero ambitions. Continued investment in colleges should therefore be viewed not only as education spending, but as a core component of Scotland's economic strategy.

To make continued impact and deliver positive outcomes in relation to the economy, tourism and energy, there will be a continued need to provide investment into skills and colleges as the vital skills delivery infrastructure that enables business and communities across Scotland to realise the full value of economic development spending.

Independent economic analysis by the Fraser of Allander Institute highlights the significant role colleges play in supporting economic growth preventative spending, whilst reducing poverty and strengthening Scotland's public finances. The report stated that in 2026/27 colleges will:

- Increase tax revenues by £170 million and reduce the cost of benefits by £25 million – delivering a £195 million net positive contribution to the fiscal balance.
- Keep 15,000 out of absolute poverty, and 10,000 out of severe poverty.
- Benefit 400,000 households – including 250,000 children – from the higher incomes earned by those with college-level education.

3. What are your views on the overall spending profile set out in the Scottish Spending Review which indicates that public spending on the economy, tourism and energy sectors will see a real terms decrease in funding over the coming financial years?

Colleges Scotland recognises the challenging fiscal environment reflected in the Scottish Spending Review. However, real-terms reductions in spending on the economy, tourism and energy portfolios risk constraining Scotland's long-term growth potential unless accompanied by sustained investment in skills and workforce development. Colleges are critical national infrastructure for economic growth, supplying the workforce required for tourism, net zero, advanced manufacturing, digital technologies and regional economic development.

The Scottish Government cannot deliver sustainable economic growth through infrastructure and business support alone. Investment in skills, workforce development and talent attraction must be viewed as economic investment rather than simply education spending.

The Scottish Spending Review (SSR) commits to allocating Scotland's colleges with £146 million of additional resource funding over the spending review period, which is intended to create "a strong foundation for the sector to come together to deliver an ambitious body of reform and transformation alongside delivering vital services and opportunities for people and employers across Scotland". The Scottish Government has so far allocated an additional £61.4m of this SSR allocation in the 2026/27 Budget, meaning there is still a further £84.6m to be allocated in the remaining SSR period.

Whilst this spending allocation is a positive step forward in strengthening the finances of the college sector in Scotland, without genuine ambitious reform, and the funding to support it, co-produced by the college sector with the Scottish Government and Scottish Funding Council, including through the College Sector of the Future workstream, this will not provide an effective approach with which to strengthen the financial sustainability of the college sector and will subsequently impact on public finances and the ability of colleges to deliver for Scotland's learners and employers. Recommendations from the workstream will be jointly presented to Ministers by March 2027, and in order for these to be implemented there will be a need to re-order existing investment or leverage new investment into the tertiary sector in order to provide the most effective approach to strengthening public finances within the SSR spending allocations.

Audit Scotland and the Scottish Funding Council in their reporting on the college sector have both raised concerns on the financial resilience of institutions and structural financial pressures relating to real-terms funding reductions and rising operating costs, alongside ongoing estates maintenance and backlog costs.

In spite of these pressures, colleges continue to deliver for their students, with the proportion of students successfully completing courses rising in 2024/25, with 95% of students satisfied with their college experience and 86.7% of sector leavers finding positive destinations, and in delivering Scottish Government policy ambitions around economic growth and workforce development. To fully enhance this role, the spending allocations outlined in the SSR need to be combined with broader transformation measures, including multi-year funding and funding flexibilities to provide longer-term certainty to the sector which can support financial planning and strengthen college finances. Without this package of reform, colleges will not be able to continue to deliver positive outcomes for students and employers and to support increased economic growth and the expansion of the tourism and energy sectors in Scotland.

4. Any other comments you wish to make on budget spending on the economy tourism and energy sectors?

There are policy levers which could be used by Scottish Government to fully enable the role of Scotland's colleges in delivering wider policy objectives across Government portfolios on a Cross Portfolio basis, including in relation to the economy, tourism and energy sectors.

This is currently the case with the commitment of funding to the college sector through the RISE (Raising Income through Skills and Education) initiative to support families at greatest risk of poverty to access the skills and education they need to enter, sustain and progress in work, as part of the Tackling Child Poverty Delivery Plan. Such developments should be expanded across all Cabinet Secretary portfolios, utilising colleges as public sector assets. Colleges Scotland has produced work evidencing the role Scotland's colleges can play in this role, and can share this with the Committee, including information regarding the Offshore Wind Skills Programme delivered in Academic Year 2025/26 with Scottish Government to support the Offshore Wind Directorate.

Colleges Scotland
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