

Resource Spending Review Framework – Colleges Scotland Comment – March 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 Resource Spending Review Framework to the Scottish Government.

Current Context

Colleges are 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 help 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. 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 total reduction in the college budget for 2022/23 is estimated at £51.9m. 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.

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.

The last benchmarking of college estates was in 2017 with the [SFC Estates Conditions Survey](#): this showed there is (as of 2017) a £360m backlog in college estate maintenance. This number will not have reduced.

Key Points

Q1. In Chapter 1 we have identified three priorities to guide the Resource Spending Review process:

- **To support progress towards meeting our child poverty targets**
- **To address climate change**
- **To secure a stronger, fairer, greener economy**

Setting these as priorities helps us consider where spend should be targeted and redirected. Do you agree that our resource spending should focus on these?

We welcome your views on these three priorities for this Resource Spending Review.

Yes. These are strong priorities to progress.

Education and training does more than underpin these three priorities, and we would ask that Education is incorporated into the Framework as a fourth priority. The opportunity provided by the Resource Spending Review would allow the Scottish Government to weave colleges into the fabric of Scotland's society in a way that delivers for learners, colleges and the nation. It also allows the Scottish Government to assess and adapt the current funding of the education sector, and of the college sector as part of that.

Within the three existing priorities, the Scottish Government should consider the role of colleges as the powerhouses of Scotland's recovery from the Covid-19 pandemic and the required transformation of the economy of Scotland, as set out in the National Strategy for Economic Transformation. 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.

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. 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. For example:

- College is the most popular destination for those from the lowest socio-economic backgrounds with 38% of school leavers from SIMD20 moving into further education
- 28% of school leavers go into further education
- 90% of learners from the most socially deprived backgrounds that went to university did so through colleges.

- 15% of students have a recorded disability, with the highest proportion reporting multiple disabilities
- 79% of students with a disability are studying on mainstream programmes leading to a recognised qualification

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 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.

Q2. In Chapter 2 we have identified the primary drivers of public spending over the Resource Spending Review period including:

- **Changing demographics**
- **Demand on the health service**
- **Public sector workforce**
- **Inflation**

We welcome your views on these and any other public spending drivers you think we should consider.

Changing Demographics

Colleges should be a priority for investment because of the demographic change Scotland will see in both its younger and its older populations.

[Evidence shows](#) that the population of 20-year-olds will increase until 2028 – there must be college places, spaces and opportunities waiting for the young people who need them. There will be significant opportunity costs to Scotland and the economy if there are not colleges places available to this learner cohort in the next five-six years.

At the other end of our population scale, our increasingly aging population will need a trained and qualified workforce to enter and sustain the planned National Care Service. Colleges will develop, nurture and maintain this future workforce, managing the future skills pipeline to ensure that this key growth sector in Scotland is ably staffed.

According to findings of the Open University's [Business Barometer Report 2021](#) almost two thirds of organisations in Scotland (62%) are struggling to find people with the right skills. In particular, there is a shortage of specialist, entry level talent, including business-critical digital skills, and almost half of Scottish businesses (42%) think they will struggle to find people with the right skills in the next 12 months, with 36% saying skills shortages will continue to be a problem for the next five years.

Colleges in their roles as local civic anchor institutions, with strong links in local and regional economic partnerships and with SMEs and business, can use these connections to profile their delivery to meet emerging skills demands and support the development and maintenance of future skills pipelines.

Scotland's recovery from Covid-19 and the wider impacts of the pandemic will be a matter of years and not months. Demographics will be subject to change during this period, so it is important that decisions around spending and resource through the Resource Spending Review are not made in

an overly reactive fashion at this early stage of the recovery and instead are made over time and are reflective of demographic trends.

Demand on the Health Service

Across early 2022 Colleges Scotland has been engaging with the NHS Academy to have initial conversations around how colleges can proactively support the additional training being planned and undertaken to deal with backlog of procedures due to Covid.

It would be helpful for the Framework to be established alongside a clear and robust structure that encourages cross portfolio thinking and innovation within Scottish Government, to ensure maximum impact is delivered for the public purse.

Public Sector Workforce

As public bodies, colleges employ around 11,000 staff, who perform a wide variety of roles. On average 78% of overall college expenditure is allocated for staff pay. National Bargaining has resulted in a majority of lecturing staff being on permanent contracts, creating a structurally inflexible workforce and significant cost pressures which increase each year.

Against this context we would want to be open with the Scottish Government regarding the impact of pay policy on the ability of colleges to respond flexibly to local and regional economic and skills needs. This impact will only increase in future because of National Bargaining, leaving colleges with less and less space to manoeuvre in coming years. This could eventually be detrimental to the interests of students in terms of reduced course provision, increased class sizes and reduced provision of equipment on campus.

Inflation

The college sector has faced challenges in mitigating the impact of inflation and associated costs pressures, which have been eating into the spending and purchasing power of the college sector. With the flat cash settlement the sector received through the Scottish Budget 2022/23, colleges now have to cover the impact of inflationary cost increases with reduced resources, directly removing resource from front line teaching and support service for learners as a result - for 22/23 this totals £23.9 million. On this basis, we would strongly urge the Scottish Government to consider the impact of Inflation in the future funding settlement for the sector as part of the Resource Spending Review.

Colleges Scotland, in the sector Resource Spending Review Submission to the Scottish Government in March 2022, has sought increases to the overall sector budget in line with the rate of inflation. Within this submission inflation is based on Retail Price Index (RPI) – All Items indicator, December 2021 figure – 7.5%.

If inflation is not provided for and we get a different settlement e.g. flat cash, then there will be a need for a Transition Fund to allow colleges to pivot to the new landscape and to deal with the job losses, curriculum realignment and geographical and support service footprint changes that will be a consequence of Scottish Government decisions. To provide an idea of the scale of the Transition Fund, Voluntary Severance costs for every 500 members of staff lost across the sector would require estimated additional funding of £25m.

**Q3. In Chapter 2 we have identified the growth of the public sector workforce as a key driver of public spending. How can we use policy interventions to maximise the value achieved from the public sector workforce in the effective delivery of public services, while ensuring the sector is an attractive, rewarding place to work?
We welcome your views on this.**

We would refer to our responses to the points above regarding the Public Sector Workforce.

Q4. In Chapter 3 we have identified a number of ways in which we will be exploring how to get best value out of Scotland’s public spending, including:

- Improving cross-government collaboration
- Public service reform
- Prevention and invest to save initiatives
- The public sector workforce
- Better targeting
- Targeted revenue raising

We welcome your views on these, and other ways to maximise the positive impact of public spending.

There is not a sufficient level of detail in the document to inform long-term decision making on education and training.

Multi-year spending will be critical for longer-term planning for colleges and will provide the best platform from which to tackle medium and long-term challenges, as opposed to the short-term decision-making context which we have today. A longer term and sustainable approach will also enable colleges to maximise the impact of their funding, and to get best value for Scotland’s public spending in education.

Specifically on improving cross-government collaboration, Colleges Scotland is working with Ministers and officials to suggest the need for more strategic and co-ordinated engagement across portfolios within the Scottish Government, including through dialogue with John-Paul Marks as the new Permanent Secretary and the Minister. It would be immensely helpful and productive for Cabinet to discuss the truly cross cutting opportunities that colleges bring to health and social care, green jobs, sport, the arts, community wellbeing, and investment for future skills including digital.

Q5. In Chapter 3 we have shared that we will be conducting an equality assessment of the Resource Spending Review’s findings.

We welcome your views on any particular equality and human rights impacts which we should consider in the context of the priorities (question 1) and primary drivers of public spending (question 2) we have set out.

We would rightly expect the Scottish Government to conduct an equality assessment of the Resource Spending Review’s findings and so this would be welcome.

College is the most popular destination for those from the lowest socio-economic backgrounds with 38% of school leavers from SIMD20 moving into further education, whilst 15% of students have a recorded disability, with the highest proportion reporting multiple disabilities. Additionally, 79% of students with a disability are studying on mainstream programmes leading to a recognised qualification and 7% of students are from minority ethnic groups.

The recent parliamentary answer (S6W-01165 published on 28 July 2021) shows the stark differences in the baseline amounts invested in college students, and the real disparities across our educational settings, with the average expenditure per place for each education level in real terms (2020-21 prices) for 2019/20 as follows:

Education Level	2019-20
Pre-School	£7,397
Primary School	£6,143
Secondary School	£8,278
College	£4,321
University	£5,913

It should be noted that the figures in the parliamentary answer have not included tuition fees. College students deserve parity of investment and Colleges Scotland has consistently called for stronger, longer-term funding to help colleges thrive.

The gap between secondary school, college and university funding should be closed as soon as possible. Currently, college funding is to cover the teaching element, but colleges require additional resource to ensure a great student experience, equity of opportunity and to ensure the necessary support for those cohorts of students requiring additional interventions.

Q6. In Chapter 3 we shared that this Resource Spending Review is taking a consultative approach to ensure that we engage with people and organisations across Scotland as we develop multi-year financial plans. Our intention is to use the Resource Spending Review to continue the Scottish conversation on public spending going forwards.

We welcome your views on how best to continue our engagement with people and organisations after the Resource Spending Review

We welcome both the consultative approach being taken by the Scottish Government regarding the Resource Spending Review and the intention to continue conversations on public spending going forward. There should be sustained and meaningful engagement with college learners and their experiences of learning through the pandemic and the importance of support provided by colleges to facilitate and maintain this learning.

The college sector would also welcome continued engagement through Colleges Scotland as the membership body for colleges in Scotland, and the opportunities this would provide for the Scottish Government to engage with sector leaders including college principals and senior staff networks.

We would advise that these conversations will be difficult to hold without progress on the Scottish Government Statement of Intent for the college sector. It has been noted that this work will be taken forward over a period of eighteen months, but we would strongly advise that this needs to be completed far more quickly to provide direction for colleges in the decisions they make around their course provision and institutional finances.

Conclusion

The Resource Spending Review 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 Resource Spending Review Framework. We believe education should be a fourth priority.

Effective and sustained funding of the college sector, on a multi-year basis stemming from the Resource Spending Review would go a significant way towards delivering the attainment of the National Performance Framework outcomes in practice. This would include giving opportunities to all people of all ages 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.

The role that colleges continue to play in Scotland's recovery from COVID-19 and in the delivery of economic transformation as set out in the NSET 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.

We would welcome the opportunity for future engagement with the Scottish Government, working with both the Cabinet Secretaries for Finance and the Economy and Education and Skills, on the views expressed in this submission to inform the development of the Scottish Government's Resource Spending Review Framework. This engagement should also include a focus on the Strategic Statement of Intent, given the importance this will play in informing the financial planning and decision making of colleges across Scotland, as well as examining where those opportunities exist for innovative working across Scottish Government Cabinet Portfolios and Directorates.

Colleges Scotland
March 2022