

# **Finance and Public Administration Committee Survey – The Sustainability of Scotland’s Finances Sector Response – August 2023**

## **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 Sustainability of Scotland’s Finances Sector to the Finance and Public Administration Committee.

## **Current Context**

In the last Scottish Government Budget for 2023/24 the college sector received a flat cash funding settlement, meaning that colleges budgets will have fallen because of the impact of inflation.

This represents a major missed opportunity as colleges have a vital role to play in creating a fairer, more equal Scotland, reducing child poverty, tackling the climate emergency and helping to transform the economy, and in delivering the ambitions of the National Strategy for Economic Transformation.

Colleges are the powerhouses of Scotland’s economy. Our skilled graduates contribute billions to Scotland’s economy each year, across hugely diverse industries, in every community from Kirkwall to Dumfries. Investment in colleges delivers significant gains for Scotland as a nation, and allows colleges to support students at every stage of their learning journey, as new qualifications, upskilling, re-training, or as part of their school experience. It is extremely disappointing that funding isn’t available to maintain this offer, when in fact colleges want to enhance it.

## **Questions**

### **1. How should the Scottish Government Budget 2024-25 and its future budgets respond to these challenges?**

Colleges are a vital component for skills within the public sphere. For Scotland to have successful and sustained economic growth it is colleges who will be the key driving force. By being custodians of skills, colleges are delivering essential courses to train and retain the workforce as Scotland builds towards a far more climate conscious society, relying heavily on green skills and renewable energy. These issues need to be at the forefront of the Scottish Government’s short term budgetary plans.

In order to address the short to medium term financial pressures within the Education and Skills portfolio, Colleges Scotland would recommend a repurposing of an amount of the overall skills and education resource, currently sitting at £3.2billion in the Draft Budget for 2023/24, to allow the college sector to transition and to grow in order to deliver on key Scottish Government priorities.

Altogether the repurposing investment would be aligned with pillar two of Scottish Government's strategic approach to managing the public finances by supporting sustainable, inclusive economic growth and the generation of tax revenues.

This would also align with the vision detailed in the recent Independent Review of the Skills Delivery Landscape.

This re-purposing of investment in the short to medium term to the college sector will deliver significant gains for the three priorities identified by the Scottish Government:

- Equality – Tackling poverty and protecting people from harm
- Opportunity – A fair, green and growing economy
- Community – Prioritising our public services

The repurposed investment will allow the college sector to help the Scottish Government deliver its agenda by continuing to:

- support the National Outcomes of the National Performance Framework
- deliver on the National Strategy for Economic Transformation (NSET)
- be the key provider of the skilled workforce
- supporting Just Transition to Net Zero and dealing with the skills emergencies
- develop partnerships with industry, Innovation Centres, schools and community stakeholders
- be recognised as civic anchors within their place and communities
- address the poverty-related attainment gap
- provide lifelong learning opportunities and work based learning
- allow colleges to be committed to Fair Work and to building equality.

## **2. Does the Scottish Government's 'three pillars' strategic approach to managing the public finances adequately address the scale of financial pressures expected in the Scottish Budget 2024-25 and in the medium-term? Should the Scottish Government follow a different approach instead, and if so, why would that be more effective?**

The three pillars are a welcome positive step to ensuring that spending is focussed on where it will have most impact and added value. This has to include an understanding of the invaluable nature of colleges to not only train learners in essential skills, but the ability to upskill and reskill learners already in the workforce to prepare them for the Just Transition to Net Zero.

There should be prominence placed on the role of the college sector, as part of the wider Education and Skills landscape, one which includes a focus on repurposing public spending to where it will have the greatest impact in delivering for learners.

Investing in the college sector is necessary to grow the well-being economy and to deliver the ambitions as outlined in the National Strategy for Economic Transformation. As well as imparting skills, colleges are at the heart of their communities and are able to reach those in the most deprived areas of Scotland and give them the opportunities they need to help them improve their circumstances. This would contribute significantly to the well-being economy.

## **3. Given the pressures on the capital budget, how should the Scottish Government prioritise its capital spend in the Scottish Budget 2024-25 and over the medium-term?**

Whilst we recognise that the Scottish Government is facing significant pressures in relation to the capital budget, we would take this opportunity to highlight to the Committee the significant need for investment in Scotland's college infrastructure.

As raised by the Education, Children and Young People Committee on their inquiry into College Regionalisation, there is a significant level of back log and life cycle maintenance required to

ensure that the college estate is wind and water tight, with the Committee strongly encouraging the Scottish Government to explore how the requisite resource can be provided to remedy the outstanding maintenance issues and place colleges on the path to Net Zero.

Separately, Audit Scotland in their latest report concerning the college sector in 2022 outlined that since 2018-19, college capital funding has fallen £321m short of the amount required for lifecycle and backlog maintenance.

Sustained investment over the medium-term and into the long-term is required for college estates, which are in a dire state of repair, impacting on the learning experience. It is also vital to ensure adequate digital infrastructure is provided that will support the modern hybrid learning mode of delivery of learning. There is, in short, no immediate solution to adequate renewal of Scotland's college estate and digital infrastructure as a key part of public sector assets, with hundreds of millions of pounds required to bring buildings up to wind and watertight conditions, with additional funding required to bring the estate up to net zero conditions.

The college sector is working with the Scottish Funding Council to deliver an Infrastructure Investment Plan, following the publication of the College Infrastructure Strategy in November 2022. We are now seeking the full support of the Scottish Government to explore how the requisite resource can be provided to remedy the outstanding maintenance issues and place colleges on the path to Net Zero, as per the recommendations outlined by the Education, Children and Young People Committee, and plan for a national renewal of college infrastructure.

When considering capital expenditure, the wider role of the college estates should be taken into account, given the critical role colleges play in their communities as civic anchors, providing warm and safe spaces for learners and providing access to wider services for citizens, providing the possibility of savings for other elements of the public sector estate.

#### **4. What are the implications of a declining capital budget, including on the productive capacity of the Scottish economy?**

Colleges provide an essential pipeline of skills into the workforce. A declining capital budget will substantially affect the capacity and capability of colleges to facilitate and manage the delivery of the skilled workforce required to support the ambitions of the Scottish Government in relation to the National Strategy for Economic Transformation.

In the absence of a national renewal of college infrastructure, which is already in a precarious position, with many colleges in need of structural repair, there will be a continued diminishment of this capacity and capability, in addition to impacting on the ability of colleges to deliver upon the ambitions established in the Innovation Strategy.

#### **5. The Scottish Government's spending plans for resource (day-to-day spending needed to run public services) and capital (investment in assets and infrastructure) for 2024-25 until 2026-27 are to be updated and published alongside the Scottish Budget 2024-25 later this year. Where should the Scottish Government protect or prioritise spending in these multi-year plans?**

Spending should be prioritised to where it will have the most impact and deliver the greatest value for money in delivering the Scottish Government's priorities. To realise these criteria, funding of colleges must be seen as an essential part of multi-year plans – this is paramount to a healthy economy.

The connections made to local businesses – both globally recognised, and more regional SMEs is crucial to a thriving economy in Scotland. The current funding of colleges is not sufficient enough to ensure adequate economic growth, especially in Green Skills areas where more investment is required. There is an inherent need for funding to reflect the value and significance that colleges bring to the economy of Scotland.

If the Scottish Government is to meet its Net Zero target it is vital that funding is directed towards Green Skills to develop essential knowledge and expertise that will be critical for meeting the Just Transition. This will help to not only futureproof the learner but will also contribute towards aligning the sector with new and developing green technologies.

Both with the learner and Net Zero in mind, as mentioned above, capital spend should be focused on college infrastructure. The current maintenance backlog needs to be addressed – Audit Scotland, in its Scotland’s colleges 2019 report, identified that current levels of Scottish Government capital funding are insufficient to address colleges’ maintenance requirements. Directly addressing these needs puts the learner first and ensures that they are able to gain the skills and knowledge required to thrive in the workforce.

**6. The Scottish Government plans to address the budgetary implications of the expected long-term fall in population through growing the economy and tax base, public service reform, and an upcoming ‘Addressing Depopulation Action Plan’. Are these the right priorities to address the implications of this fall in the population and, if not, how could the Scottish Government be more effective in this area?**

As part of the solution to the population trend, there should be an emphasis on gaining the maximum value from all those who live in Scotland. The Scottish Government needs to focus on ensuring that people gain the right training for them as an individual, at the right level and at the right time. This will include adequate opportunities for people to upskill and reskill throughout their lives. Meaningful careers advice for all is also essential. This will require a strong college sector.

The attributes of the college sector and its ability to provide the skills now and in the future through the development of a skills pipeline is essential to grow Scotland’s economy and to deal with the current productivity level.

A fall in population, combined with the reduction in labour due to Brexit, it will require a strong focus on the skills needed to fulfil essential roles such as those in the Health and Social Care sector.

**7. How should the Scottish Government start to address the forecast funding gap of 1.7% each year up until 2072-73?**

Part of the solution here is to ensure maximum value is derived from each £ pound spent. To prevent abortive spend then it is essential that appropriate multi-year budgeting is undertaken. This will allow the public sector to more efficiently spend the limited resource that is available.

**8. How should the Scottish Government balance its short and long-term financial planning and where can improvements in this area be made?**

The Scottish Government, for the benefit of colleges across Scotland, and to improve the stability and sustainability of the sector has to place a greater balance on medium to long term financial planning.

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 move towards multi-year funding has to be accompanied by a balancing of financial planning and spending across the respective elements of the education and skills system. The lack of parity and equity in the tertiary landscape needs to be addressed.

Equity of funding for colleges would help those who are the most disadvantaged benefit and improve their outlook, becoming more socially mobile and contributing to the Scottish economy, in

line with the overarching ambitions of Equality, Opportunity and Community. This will also assist in dealing with the population trend going forward.

### **9. How will long-term financial pressures impact on the delivery of national outcomes and climate change targets and what steps can the Scottish Government take to alleviate these impacts?**

Suitably funded colleges will help to ensure that they reduce emissions by 2045 in their capacity as public sector bodies, under the terms of The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. Long-term financial pressures would see these targets missed. Furthermore, financial pressures would see a significant reduction in potential economic growth opportunities found within the already burgeoning renewables sector in Scotland.

If there are financial difficulties in the long term this would also adversely affect the amount of skills provision at colleges which are crucial for the development of the workforce to drive Scotland's economy and improve its productivity levels. It would also impact on Scotland's ability to take maximum advantage from the development of Green Skills. Offshore wind is only one such example where there would be considerable missed opportunities if there was to be a reduction in funding. Most of the workforce in this area would be trained within colleges meaning that sustained funding is needed to meet the potential of this sector and contribute towards meeting the government's Net Zero target.

### **10. In follow-up to the Committee's inquiry on effective decision making, how can transparency be improved around how the Scottish Government takes budgetary decisions?**

We would welcome greater transparency from the Scottish Government in relation to budgetary decisions regarding the allocation of funding within the Education and Skills portfolio to the component parts of the wider education and skills system.

The following table, sourced from a SPICe parliamentary briefing shows the present stark differences in the baseline amounts invested in college students, and the real disparities across our educational settings. 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.

<b>Average expenditure per place for each education level in real terms (2022-23 prices)</b>	
<b>Education level</b>	<b>2022-23</b>
Pre-School	£9,273
Primary School	£5,916
Secondary School	£7,657
College	£5,054
University	£7,558

Source: <https://www.parliament.scot/~media/committ/4115> (Page 22)

## **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 further investigations on this topic.

Colleges Scotland  
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