Public Service Reform Committee: Pre-Budget Scrutiny 2027-28 Call for Views– August 2026

Questions – to be submitted via Citizen Space

1. The Scottish Government aims to deliver on average £0.5 billion in savings through efficiencies per year for the next three years (2026-27 to 2028-29):

a) To what extent are these savings achievable, and how will they shape public service delivery?
a) What progress is being made towards achieving these efficiencies?
b) What are the barriers to achieving greater efficiency and how can these be addressed?

The proposed savings outlined within the Scottish Spending Review are achievable, but only if sustained progress is made in delivering effective public service reform. In regard to the college sector, Audit Scotland has evidenced that the Scottish Government's intentions to reform post-school education and skills lack a clear delivery plan, progress is slow and that the government needs to make stronger links with its wider plans across economic transformation, climate change, education and skills.

The College Sector of the Future workstream being jointly progressed by Scottish Government, Scottish Funding Council and Colleges Scotland offers an opportunity to make progress in delivering potential efficiencies as part of a broader future-proofing exercise to shape colleges for the next generation of learners.

Through the intended outputs of a co-designed set of actions there could be opportunities to deliver a college system that is more equitable, future-proofed, empowering, and financially sustainable, and which allows colleges to continue to serve as anchor institutions in communities across Scotland whilst contributing to public service reform and delivering operational efficiencies through service re-design and reducing duplication of activity.

College Sector of the Future, and the co-designed set of actions produced from the workstream, will represent the college sector contribution towards the wider Public Service Reform agenda, including further optimisation of the lifelong learning and skills system. This will build on the efficiencies and transformations made by colleges to drive improvements and protect learning and teaching activity.

For these outputs to be fully realised, there will be a need for political support to enable upfront investment requirements, combined with greater financial flexibilities for institutions, which in turn will enable reform within the college sector to take place at pace. There will also need to be clear leadership and linkages to wider public service reform provided by Scottish Government.

These actions should also be complemented by a continued focus on preventative spend, and the role of colleges in contributing to the early intervention and prevention agenda by the delivery of upskilling and reskilling interventions which enable individuals to enter the economy whilst increasing household income, reducing associated public spending delivered through health, housing, justice and social security directorates.

2. How should the Scottish Government best present the extent of any realised efficiencies in the annual budget publication, including providing clarity on whether these are expected to be recurring savings?

The Scottish Government should present realised efficiencies in the annual budget publication in a transparent and consistent manner, associated with clear outcomes, which enable stakeholders, including colleges as public sector bodies, to understand where these efficiencies have been achieved and how the resulting resource is redeployed within public spending.

This should ideally be presented across the next three years to enable colleges and other stakeholders to understand how these savings are made sustainably and in a manner that complements Public Service Reform. In practice this should not just include cost displacement across Scottish Government portfolios but instead include genuine savings in public spending which can redeployed.

These realised efficiencies should also be presented within future Fiscal Sustainability Delivery Plans and Medium-Term Financial Strategies alongside annual budget publications to deliver further clarity on recurring savings.

For colleges, greater clarity would help institutions understand whether reductions in funding requirements either arise from genuine efficiencies that can be sustained year after year, from one-off savings that should not create an expectation of permanent future reductions, or from reinvestment of savings in public spending back into the college sector.

Any efficiency reporting produced by the Scottish Government should recognise that colleges have already delivered significant efficiencies over many years which has impacted on workforce capacity and the curriculum offer made available by institutions, reducing their impact to support positive learner outcomes and local and regional economic growth.

The annual budget publication should also clearly identify any efficiencies attributed to the college sector, explain the methodology used to calculate them, and state whether they are expected to be recurring. This would provide colleges with greater certainty for financial planning across the Spending Review period.

3. **The Fiscal Sustainability Delivery Plan aims to achieve an average reduction of the public sector workforce of 0.5% per year over five years.**

a) To what extent is this target achievable and how will it shape public service delivery?
b) What progress is being made towards achieving this target?

The college sector has experienced significant workforce reductions over the past decade, in contrast to growth across other areas of Scotland's public sector. Scottish Funding Council statistics show a 9.9%% fall in FTE since 2015/16 and a 3.4% decrease between 2023/24 and 2024/25 alone. This represents a compound annual FTE reduction of 1.04% over the ten-year period to 2024/25, suggesting the 0.5% FSDP target is achievable and that colleges are already ahead of it.

Audit Scotland has also highlighted substantial workforce contraction across the sector, reporting an 8% reduction in staffing during 2023/24.

These workforce trends reflect the measures colleges have had to take already amidst a challenging financial environment, including rising staffing and energy costs and wider inflationary pressures. Voluntary severance schemes have been a key mechanism for delivering savings. In contrast, Scottish Government data show that public sector employment across Scotland increased by 8.2% between the first quarter of 2019 and the first quarter of 2025.

The divergence between workforce trends in colleges and the wider public sector underlines the sustained financial pressures facing the sector and the significant organisational changes colleges have undertaken in response.

The Scottish Spending Review assumes delivery of efficiency and reform. However, if pay settlements exceed budget assumptions in response to inflationary pressures, as has been the case previously, a significant proportion of additional funding could be absorbed by staff costs rather than service improvements. This risk is underscored by the National Lecturing Staff Pay Agreement (2026-29). While it provides consolidated pay increases of 3.75% in AY 2026/27, 3.25% in 2027/28, and 3.2% in 2028/29, it also builds in a reopener clause for the final two years of the agreement. If mean CPI inflation over the preceding 12 months sits at or greater than 0.5% above the agreed award for a pay year, the award will be renegotiated. This creates a potential vulnerability for institutions if inflation trends upward.

Against this context, there is limited scope for the college sector to contribute to an average reduction in the public sector workforce and in making progress towards this target. The focus for the college sector is on protecting and sustaining the existing workforce in order to support the continued delivery of learning and teaching activity and to support positive student experiences and outcomes.

4. What actions can the Scottish Government take to ensure these workforce reductions are delivered in a managed way which best supports effective government and public service delivery

The Scottish Government should act to ensure that workforce reductions are accompanied by meaningful public investment in reform and transformation of services and workforces. This will be especially vital in the case of the college sector, where institutions have already seen significant workforce reductions and where further contraction could risk negative impacts on services and access to education.

In particular, multi-year funding settlements and enhanced funding flexibilities would support colleges to undertake more effective strategic planning, invest in and develop their workforces with confidence, and target staff resources where they can have the greatest long-term impact. This would strengthen institutional resilience while supporting genuine productivity and efficiency improvements.

5. The PSR strategy states that it will protect frontline services. To what extent is there sufficient clarity about how frontline roles are defined and how efficiencies in back-office functions can be delivered in a way that minimises impact on the delivery of public services?

The college sector would benefit from greater clarity from the Scottish Government regarding what a frontline role constitutes. College lecturing and teaching staff and professional services staff both play key roles in engaging with students and other frontline service delivery stakeholders accessing college facilities in communities across Scotland.

For colleges, the distinction between frontline and back-office roles is particularly important. Teaching staff may clearly be considered frontline, but many professional services staff directly support student success, wellbeing, student support funding and institutional operations. Reductions in these areas have had and will continue to have both direct and indirect consequences for learners even where classroom provision is maintained.

6. **Beyond the financial benefits that the Public Sector Reform (PSR) Strategy aims to achieve, what are the key outcomes that reform should be aiming for?**

Public Service Reform in Scotland should deliver improved outcomes delivered by more joined up and integrated public services which maximise the return on investment in the public sector, including through colleges in the form of a reduction in the poverty-related attainment gap, improved wellbeing and mental health outcomes for individual learners, and better use of publicly funded buildings such as colleges as community facilities.

This reform should also deliver on embedding early intervention and prevention in practice and this can be realised by breaking down Scottish Government portfolio silos and ensuring stronger and more consistent collaboration across local government, health, communities, employers and education partners including colleges.

This should be combined with greater collaboration and shared delivery across public sector bodies and across colleges themselves, including the use of shared digital platforms, to streamline and reduce duplication of services and support for individuals.

The success of Public Service Reform should not be judged solely by how much money is saved, but by whether Scotland creates healthier communities, a more productive economy, reduced inequalities and stronger life chances. Colleges as preventative public services increase employability and productivity, reduce unemployment and economic inactivity whilst supporting social mobility and inclusion and helping employers address skills shortages. Investment in colleges is preventative investment in Scotland's future social and economic outcomes.

7. **The PSR Strategy includes 18 different workstreams which aim to remove barriers to reform. One workstream focuses on “simplification”, recognising that “complexity of processes, structures and reporting requirements is a key barrier to effective and efficient service delivery”. “Prevention” is one of three pillars providing structure to the Strategy.**

a) What should the Scottish Government’s priorities be under its simplification workstream and what level of savings can be achieved through this approach?
b) What progress has been made to date with preventative budgeting?
c) How should the forthcoming Budget support greater progress towards preventative budgeting across the devolved public sector? Please set out any barriers and how these can be addressed.
d) What changes to the Scottish Government's approach to budget-setting are needed to effectively deliver public service reform?

The Scottish Government needs to place a focus on reducing duplication of activity across public bodies and enabling genuine cross portfolio working which would enable colleges as public sector assets to deliver against policy priorities across Scottish Government portfolio areas. The college sector is beginning to do this in the form of the RISE (Raising Income through Skills and Education) initiative, Training Access Fund and Flexible Workforce Development Fund announced as part of the Tackling Child Poverty Delivery Plan, with funding allocated for colleges to deliver upskilling and reskilling activity in support of the plan. Approaches such as these recognise that investment in education and colleges can serve to reduce costs elsewhere in the system, including health and justice, by addressing barriers to employment and supporting families at greatest risk of poverty to access the skills and education they need to enter, sustain and progress in work.

This approach can be applied across wider Scottish Government portfolio areas, working across civil service structures and reporting lines.

Simplification also needs to focus on delivering simplified funding and reporting arrangements and providing multi-year funding settlements which enables public service reform, including within the college sector to enable College Sector of the Future outputs to be delivered. Such a multi-year funding approach should include a preventative and outcome-based budget approach as a lens to look at longer term costs and benefits, balanced against meeting immediate service demand. This should become the norm going forward, moving away from the current approach of multiple individual, set-term, funding streams.

The college sector has not made significant progress to date with preventative budgeting, as short-term financial pressures facing the Scottish Government have impacted on the ability of the college sector to plan for the longer-term and reduce costs through a spend to save approach and have acted as barriers to preventative budgeting being applied.

Colleges had expected to receive an additional £26 million of transition funding following an announcement made by the Scottish Government as part of the draft budget in December 2022. This was subsequently withdrawn in May 2023 when the Scottish Government redirected this money to fund the teachers' pay deal agreed in March 2023.

Whilst the Scottish Government has provided for transformation funding for the college sector as part of the 2026/2027 Budget and the wider Public Service Reform agenda, this will need to be provided in future years within the Spending Review period, and in the forthcoming budget, in order to ensure a sufficient level of resource is available to enable colleges stabilise and transform, including through implementing the outputs of the College Sector of the Future workstream.

The college sector has been delivering activity in a challenging operating environment, working in single-year rather than multi-year funding windows which has limited their ability to deliver prevention focused spending due to the short-term financial pressures they have faced. This has created the conditions wherein colleges are prioritising core teaching provision with which to deliver for students as opposed to longer-term investment in their estates, their student support programmes and their ability to meet employer demand.

A Preventative Budgeting Tool delivered as part of the wider ongoing review of the college funding model in Scotland could provide clearer and stronger connections between investment and outcomes, supporting the wider shift desired by the sector for a funding model based on outputs as opposed to inputs.

Alongside these proposed changes, the Scottish Government's approach to budget-setting could be changed through a move from service budgets to outcome-based budgets. Current approaches largely allocate funding by organisation and portfolio. Public service reform led by the Scottish Government should oversee a transition where budgets are designed around outcomes such as reducing child poverty, supporting economic participation and improved population health.

8. The Scottish Government included an upfront Invest to Save Fund of around £30 million in the 2025-26 and 2026-27 Scottish Budgets for reform projects that will deliver ongoing savings and support the delivery of the PSR strategy.

a) To what extent is the Invest to Save Fund delivering projects that achieve ongoing savings?
b) How are successful outcomes from this Fund being shared more widely across the public sector?

Colleges Scotland submitted a project proposal to Scottish Government to the Invest to Save Fund which was not taken forward, so we would not be able to give a substantive comment on how the Fund is achieving ongoing savings. This proposal looked beyond an immediate single financial year, and we would advise that a longer-term approach needs to be developed by Scottish Government across a future Spending Review period on a co-productive basis with public sector bodies like colleges which can maximise the spend to save approach and enable delivery of efficiencies in a sustained and sustainable manner.

As the fund is still being implemented, we would want to see evidence as to how this is delivering savings in public expenditure in the longer-term, not just in single years, and for evidence on more efficient and effective service delivery to be shared across public sector bodies to inform ongoing activity such as College Sector of the Future.

Colleges Scotland
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