SCOTLAND’S COLLEGES 2015

1. Thank you for the invitation to attend the Public Audit Committee on 24 June and to submit a written response beforehand.

Context

2. *Putting Learners at the Centre*, published in September 2011, set out 3 broad objectives for the reform of post-16 education – improved life chances, jobs and growth, and sustainability. In identifying the case for change, the paper argued that reform was necessary because of a series of immediate and longer-term challenges – most notably, recession, and the ensuing impact on public expenditure.

3. The effect of previous recessions had been disproportionate on young people and Scottish Ministers were keen to take action to mitigate against this. The ambition to improve the life chances of our young people through the development and maintenance of a skills system which was better aligned to government ambitions for recovery, was a key driver of policy reform. Moreover, we concluded that there was scope for greater coherence and efficiency in a reformed system that focused on regional needs and which was better aligned to government priorities. We equally sought to achieve greater accountability for the significant investment of public funds in the college system.

4. The proposals in *Putting Learners at the Centre* were generally welcomed as were more detailed propositions on college regionalisation and their phasing over three years that subsequently followed.

Where we are now

5. Our reforms have radically changed the focus, structure and governance of colleges:

   - A programme of mergers since October 2012 has created nine colleges of scale, reducing the number of publicly funded colleges from 42 to 25¹.

   - The sector has been restructured into 13 regions, with funding distributed by the Scottish Funding Council (SFC) on the basis of the demographic and economic need.

   - The Post-16 Education (Scotland) Act 2013 established the legal framework for regionalisation and substantially reformed college governance. Key features of the legislation are (i) the creation of regional colleges and regional strategic bodies; and (ii) the Ministerial appointment of regional chairs (except in the Highlands and Islands).

   - There are 10 regions with one college (each with a chair appointed by Ministers); and three regions with more than one college, two of which have Chairs appointed by Ministers. These regions each have a new regional strategic body to plan and distribute funding to colleges assigned to it.

¹ The number of incorporated colleges has reduced from 37 to 25.
Outcome agreements, negotiated annually by the SFC, make clear what colleges will deliver, consistent with government priorities, in return for public funding and expected efficiencies.

6. Taken together, and further evidenced by the SFC’s recent analysis of college outcome agreements\(^2\), these changes are delivering benefits to learners and employers:

- Closer alignment to SG priorities including implementation plans for Developing Young Workforce (see para six) and more effective joint working with education authorities and schools.
- Continued improvement in learner success including the percentage of students successfully achieving a recognised qualification and completion rates on courses at Scotland’s colleges.
- Efficiency savings each year of around £50 million by 2015-16, which are re-invested in the sector.
- Excellent examples of how colleges have reviewed their curriculum offer and changed it to align with local and regional needs, thereby increasing the positive economic impact.
- Increasing engagement between colleges and community planning partnerships, especially Local Employability Partnership partners within local authorities.

**Developing Scotland’s Young Workforce**

7. As the Wood Commission noted in *Education Working for All* (June 2014), the reformed college sector provides a strong foundation on which to build our approach to tackling structural youth unemployment. The college sector has already supported the expansion of senior phase vocational pathways as part of the finalisation of 2015-16 college outcome agreements where each college region has their own DYW implementation plan. We expect the sector to play an important role in delivering our milestones over the seven years of our strategy: this will be reflected in our annual reporting of progress.

**Lessons learned**

8. The main elements of the reform programme are now in place: merged colleges, outcome agreements, new legislative arrangements improving student representation and governance, and simplified funding arrangements. A programme of this scale and ambition inevitably takes time to bed-in fully. However, we make the following observations based on our learning to date:

- Sector leaders grasped the agenda, leading and managing very significant change whilst continuing to deliver improvements for learners.
- The ONS re-classification of incorporated colleges was an unwelcome development that placed burdens on the sector.
- There have been substantial improvements in student involvement and representation in their learning and in the running of their colleges. This includes a new Framework for

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\(^2\) Progress & Ambitions: Summary of 2015-16 College Outcome Agreements
the Development of Strong and Effective College Students' Association, which is now in place that sets out how colleges and associations can work in partnership.

- The 2013 Act has established the basis for stronger, more effective governance including a regulated public appointments process for regional college and Regional Board chairs and has led to a new Code of Good Governance for Scotland's Colleges.

- Changes to staffing, structures and systems have inevitably taken some time to complete.

Where we go next

9. Colleges now need a period of stability and, to that end, our broad reform objectives – jobs and growth, life chances, and sustainability – will remain unchanged. Equally, we envisage our existing strategic guidance to the SFC will continue to provide the framework for college delivery, emphasising the role of the SFC in improving learner outcomes and supporting colleges to consolidate change, building on improvements to date.

10. In this respect, Audit Scotland’s 2015 overview report makes four relevant and helpful recommendations to the Government and SFC. On these we acknowledge scope to strengthen published evidence on the benefits of merger including the financial data and we will work with the SFC to progress this.

11. We recognise the importance of compliance with the Scottish Public Finance Manual and will work with the SFC to encourage board members to participate in the training being developed on severance. We will take this forward in the context of a wider effort to build the capacity of college sector boards and their members which we view as an important element of our improvement agenda. On this latter point, we attach a high priority to college compliance with the refreshed SFC Financial Memorandum and the new sector-specific Good Governance Code and have asked the SFC to give close attention to improving college governance and management, working with and through external partners as appropriate.

12. I hope you find this written response useful. We should be happy to answer further questions on any of the issues raised in the letter when we attend the committee meeting on 24 June.

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