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Douglas Ross MSP
Convener
Education, Children & Young People Committee
The Scottish Parliament
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12 March 2026

Dear Convener,

Scotland's college sector plays a vital role in communities across Scotland, supporting sustainable economic growth and tackling poverty. The public sector financial landscape of recent years has been challenging for all, and the impact on colleges has been well documented and discussed many times by the Committee. The Scottish Government would like to take this opportunity to put on record that College Chairs and Principals have worked tirelessly and effectively to secure efficiencies within their institutions while maintaining very high levels of student satisfaction. It is to their immense credit that they have done this and continue to do so.

The Scottish Government's 2026/27 budget delivers a combined increase of £70m in resource and capital funding for the college sector, equivalent to 10% uplift on last year's budget, taking our total investment in core college funding to £764m. As the Cabinet Secretary for Education and Skills told the committee on 21 January, the challenges facing the college sector are not going to be resolved through a one-year funding settlement. Individual colleges have made significant efficiencies, and a bolder system wide approach is now needed to secure a strong and sustainable future for Scotland's colleges.

Today the Scottish Government, Colleges Scotland and the Scottish Funding Council are launching a collaborative body of work to co-design fundamental changes to the sector that are needed to deliver a college sector that:

- continues to effectively strengthen communities across the country, skilling and re-skilling people to meet the needs of employers;
- is more equitable, progressive, and provides parity of esteem for college learners;
- can continue to effectively meet the needs of learners of all ages and stages of life for generations to come;
- empowers and encourages colleges to be ever more innovative and collaborative; and

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- is supported by a sustainable funding or financing environment.

This work will happen in parallel to the Framework for the Success and Sustainability with Scotland's Universities. While there are important differences, stemming from Scotland's 24 publicly funded colleges being public bodies with duties given in primary legislation, there are important interactions between the two areas of work. The Review of the Credit Based Funding Model for colleges, legislated for in the Tertiary Education and Training (Scotland) Act will likewise interact closely with this workstream. These interdependencies are, and will continue to be, carefully considered as all pieces of work progress.

The work will be structured around three pillars:

Pillar 1: Based on existing reviews, publications, and predictions, co-create a synthesis of the evidence of the current and future needs of learners, employers and communities, under this Pillar, previous reports including James Withers' Independent Review of the Skills Delivery Landscape, and the Cumberford Little Report "One Tertiary System: Agile, Collaborative, Inclusive", as well as previous refinements to the college sector, will form the foundation for subsequent pillars ensuring this work builds on past successes and lessons learned.

Pillar 2: Through a series of stakeholder workshops, collectively consider the future role and priorities for colleges, this pillar will identify barriers and enablers of effective and efficient delivery of those priorities, including whether legislative change might be required. It will challenge the status quo and design and deliver recommendations to Ministers on actions, initiatives and policies that all parties can consider and take forward.

There will be a combination of national and regional workshops involving a broad range of stakeholders with different perspectives, experiences, and ideas.

Pillar 3: Co-create a set of sustainable and flexible funding models and framework options.

The work will be overseen by senior leaders from the Scottish Government, Scottish Funding Council and college sector, reporting to Ministers. The work will look at the national and regional picture with meaningful involvement of current and future learners, college leaders, teaching and professional service staff, trade unions, businesses and employers, Regional Partnerships, anti-poverty organisations and other experts.

The full scoping document, with additional detail of the workstream is given as an annex to this letter. Further details, including the evidence base compiled through Pillar 1, will be made available as the work progresses.

Yours sincerely,

BEN MACPHERSON MSP
Minister for Higher and Further Education

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ANNEX: COLLEGE SECTOR OF THE FUTURE

Context

Colleges are central to Scotland's national ambitions on economic growth, skills, social mobility, public service delivery, and tackling poverty.

Scotland's diverse colleges give people opportunities, add to Scotland's economic wealth, strengthen communities across the country, and fulfil the needs of employers. People of all ages access a huge range of learning and training opportunities each year at college, including further and higher education, upskilling, retraining, and learning for work. Over 200,000 people of all ages access the further and higher education opportunities each year at college.

Demand for skilled workers in critical sectors has never been higher, and colleges are part of the positive solution for Scotland to meet that demand. With campuses embedded in local communities, online learning, short courses and industry-focused qualifications, colleges can play a bigger, bolder and brighter part in delivering success, adding to Scotland's economic productivity and lifting people out of poverty, including child poverty.

In a fast-paced world of evolving societal and workforce needs, delivering the technical and practical skills at which the college sector excels will matter more every year.

Problem statement: why is change needed

An economic transformation is underway, with a Just Transition to Net Zero, increasing digitalisation and AI, and fundamental changes to the way people live and work, access services, and manage multiple careers through their lives. At the same time, there is still high demand for skills and trades that are foundational to Scotland's economy.

Learners are also changing the way they want to engage with learning. 2025 saw school learners achieve a record number of vocational and technical qualification awards, with an increase of 22.6% taking the total to 110,000 for the first time ever.

Individual colleges have made significant operating efficiencies over recent years: colleges are one of the few parts of the public sector where staff headcount has reduced since devolution, having fallen by 12% (Audit Scotland). Individual colleges have had in place recovery/transformation plans for a number of years. In short, individual institutions have taken the difficult but necessary steps to adapt to a challenging financial outlook.

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The Scottish Government and the college sector, as a whole, have recognised the need for transformation of the skills system through the *Withers Review* (2023) and the sector's own *Think the Unthinkable* work in 2022-23, alongside the Scottish Government extensive engagement and analysis that support the *Purpose and Principles for Scotland's Education and Skills* system. This work also builds on the [successful track-record](#) of colleges transforming through 'regionalisation' under the Post-16 Education (Scotland) Act 2013.

For colleges to maintain their roles as anchor institutions in communities the length and breadth of Scotland, and skills engines of their regional economies, the sector needs to explore a fundamental set of questions, options and choices. The Scottish Government's draft budget provides a more stable financial platform for 2026/27 which will allow for this work to be undertaken. Against this backdrop, Colleges Scotland, the Scottish Government and the Scottish Funding Council believe this is the right time to undertake fundamental work about the future of the sector and the sustainable funding required to deliver it.

Aim

To co-design and assess a small number of ambitious, feasible and fiscally sustainable options for the future of Scotland's college sector, and to co-design a clear pathway to deliver the preferred option, ensuring colleges are a first choice for post-school learners and a cornerstone of Scotland's economic and social wellbeing.

Outcomes

- A clearly articulated definition of the problem to be solved and a shared success statement.
- A small number of evidence-based, ambitious future-state options for the college sector.
- Agreement on a preferred option (or options).
- A co-designed, credible and sequenced pathway for delivery.
- Strong stakeholder ownership and public confidence in the direction of travel.

Within scope (what)

We recognise if an evidence-led review is to set the direction of our further education sector for the next 20 years, we need to be prepared to explore the implications of a variety of options. This extends to consideration of the future shape of the sector and potential new delivery models and to different options for investing in the sector, including from outside traditional public funding routes.

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The work must also consider the sector as a whole-system, including interactions with the school system, employers, wider public sector and the university sector given their interconnectedness. It must consider colleges' local, regional and national roles, alongside the diversity of roles and offering the sector provides.

In scope

- Statutory role and remit of colleges.
- Sources and mechanisms of funding (noting that the SFC model of funding allocation to colleges is a distinct project – see interdependencies below).
- Structure and governance of the college sector.
- Interactions with schools, universities, private providers and regional skills bodies.
- Workforce models.
- Options requiring legislative, regulatory or guidance change.

Out of scope

- Governance, structures and workforce of schools, universities and private training providers (except where interfaces and pathways with the college sector are concerned).

Dependencies

- National Strategy for Economic Transformation.
- Framework for Sustainability and Success of Universities.
- SFC's Fundamental Review of the Funding Allocation Model (referred to as the Credit Model Review in the Tertiary Education and Training (TET) Act), building on pilots of the College Transformation Framework.
- College Infrastructure Investment Plan.
- Flexibilities in financial decision making relating to the ONS classification of colleges as public bodies.
- Apprenticeship reform flowing from the TET Act
- National and regional skills prioritisation and planning.
- Ongoing transformation of individual institutions.

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As with any significant new endeavour, the quality and precision of the questions the work addresses are paramount. The key questions this work will address are:

Learners

- What are learners are looking for from a college in the next part of the 21st century?
- What does an optimised lifelong learner journey look like?

Employers

- What are employers looking for from colleges, and what should that relationship look like?
- How can employers and colleges better collaborate to meet national/regional skills demands?

National/Regional Systems

- How can we co-create increased agility in the system to allow the college sector to better meet learner and employer needs?
- How can we best organise/configure the system to meet local, regional and national skills needs?
- How can we design a system that also addresses social and cultural issues, social cohesion and inclusion and underrepresentation?
- Are the legislative requirements on the sector, including its role and impact, still relevant and meaningful?
- What are the true delivery costs, and how would these be impacted by different national/regional models?
- What does sustainable future funding of the sector look like under different national/regional models?
- What are the needs and implications for the college workforce?
- What are the needs and implications for the college estate?

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Method statement (how)

The work will be driven by a robust and impartial evidence base, and creativity, that:

- Prioritises the learner.
- Recognises the importance of solutions being tailored to support regional growth and anti-poverty measures.
- Reflects local, regional, national and global trends and best practice to ensure that the needs of learners, employers and communities are understood and priorities met.
- Produces clear evidence and analysis of sustainable funding options and distribution of funding options in relation to shared goals of:
 - enhanced performance and efficiency that reflect the distinct and varied factors that influence costs across the country;
 - future-proofed to meet the current and next generation of workforce, employer and community needs; and
 - ensuring the sector is sustainably funded and/or financed, allowing it to deliver locally, regionally and nationally.

This work will incorporate three pillars:

Pillar 1: Based on existing reviews, publications, and predictions, co-create a synthesis of the evidence of the current and future needs of learners, employers and communities.

Pillar 2: Collectively consider whether the priorities for colleges should remain as given in legislation or be amended, and identify the enablers of effective and efficient delivery of those priorities, in the context of the communities colleges serve. This Pillar will centre around 4-5 national workshops, and a series of regional workshops, based on the challenge questions (above).

Data and evidence will be collectively prepared and agreed in advance of each workshop.

Workshop attendees will reflect a mix of college sector leaders, learners, trade unions, employers and businesses, schools, regional skills boards, anti-poverty organisations, public sector partners and independent thought leaders.

Pillar 3: Co-create a set of sustainable and flexible funding framework options.

The outputs will be collated into a set of recommendations for Ministerial consideration in Autumn/Winter 2026.

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At all times, the work will be:

- Outcomes-focused: learners, employers and communities now and in the future are able to access world-class colleges for the intrinsic value of education, as pathways to further education and employment, and as places of shelter and support.
- Place-based and locally responsive: the transformation will recognise the unique role colleges play in their communities and support regional economic and social development, including poverty alleviation.
- Fair Work First: Fair Work drives success, wellbeing and prosperity for individuals, organisations and society and colleges are fair work employers. This will be a key consideration relating to any potential changes.
- Evidence-based and creative: using the combined analytical and creative capabilities of the parties and stakeholders, the project will provide robust evidential underpinning for creative, innovative options, and their assessment.

Outline Success statement

We want to secure a system that is:

- More equitable – making the system more progressive, providing parity of esteem for college learners.
- Future-proofed - ensuring learners of all ages and stages of life can have their needs met by colleges and that colleges can meet the workforce needs, now and in the future.
- Empowering – it encourages colleges to be innovative and collaborative.
- Sustainable - any new models/frameworks are supported by a sustainable funding or financing environment.

Colleges Scotland

Scottish Government

Scottish Funding Council

March 2026

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