1. Summary

This is the submission from Colleges Scotland, the representative organisation and Employers’ Association for the college sector, to the Scottish Government’s Spending Review process for 2020/21 – 2022/23.

This submission proposes a level of revenue and capital investment in the college sector for the three years 2020/21, 2021/22 and 2022/23, alongside the appropriate evidence base, in order to ensure the delivery of its core functions in support of learners, and to continue to develop a transformational agenda providing innovative solutions in our tertiary education landscape, including an appropriate response to challenges such as emerging technologies, digitisation and automation. This submission also delivers on the Scottish Government’s Programme for Government – Protecting Scotland’s Future, and the recently published Future Skills Action Plan.

In autumn 2019, Colleges Scotland will be publishing a report on the community and societal impact and benefits delivered by the college sector in Scotland, to demonstrate what is being achieved. This report will not only consider the educational outputs, but cover the positive impacts that colleges make to improving National Performance Framework outcomes and other policy areas through greater collaboration across portfolios and public bodies, e.g. reduction of child poverty, improvements in wellbeing and the beneficial impact on areas such as justice, social security and public health.

Additionally, in autumn 2020, in time for the 2021/22 Draft Budget, Colleges Scotland will be producing a more detailed piece of work demonstrating the value add from colleges to Scotland’s economic and social wellbeing.

Derek MacKay MSP, Cabinet Secretary for Finance, Economy and Fair Work, has also commissioned a report on the economic impact of colleges from key individuals within the college sector, due to be completed in autumn 2019.

The level of funding requested in this submission will enable Scotland’s colleges to help deliver the core purpose set out in the Ministerial Letters of Guidance and the National Performance Framework around creating a more successful country with opportunities for all, and in particular the vital contribution colleges make to retraining and upskilling the workforce. Specifically, the funding will allow the colleges sector to:

- Support a successful Scottish economy today and in the future, through the vital contribution that colleges make to sustainable and inclusive economic growth.
- Be at the heart of Scotland’s communities, enabling the development of places which are inclusive, resilient, and with a sense of community wellbeing.
- Through increased agility in upskilling and re-training, deliver and support innovative businesses by contributing to a fair and equitable working society, assisting the tackling of poverty by sharing opportunities and success more equally, and addressing climate change, through maximising the impact of the Climate Emergency Skills Action Plan and the partnerships around innovating for Net Zero.
- Deliver for people: students, staff and partners, to enable all to realise their full potential by providing the opportunity for all citizens, wherever they are in Scotland, to contribute positively to society, to improve the life chances of those in poverty of all ages, and by increasing wellbeing amongst the nearly quarter of a million learners in colleges. For example, in 2017/18, 31% (24,013) of college learners were from Scotland’s lowest socio-economic background, with 40% of learners from this socio-economic background progressing to university through college. Colleges will also fully contribute to the work of the Adult Learning Strategic Forum for Scotland and continue to increase the delivery of high level skills and opportunities for work based learning.
Scotland’s colleges are key to delivering the Programme for Government’s ambition to shape the kind of Scotland we all seek – an inclusive, fair, prosperous, innovative country, ready and willing to embrace the future. The right investment in the college sector is vital to achieving this shared vision, especially at this time currently in which the college sector is facing a tight financial environment and certain colleges have particular financial challenges, as outlined in the Auditor General for Scotland’s report Scotland’s Colleges 2019. The Auditor General also highlighted the growing gap between colleges’ income and expenditure and that the increase in Scottish Government funding for 2019/20 which, whilst welcome, only covered the additional costs of harmonising pay and conditions across the sector. The report also sets out that the current Scottish Government capital funding falls short of the estimated costs of maintaining the college estate.

The college sector will continue to engage constructively with Scottish Government and the SFC to work towards ensuring sustainability for college funding. Whilst colleges are delivering efficiencies, Colleges Scotland has an expectation that the appropriate Barnett Consequential from increased spending on the colleges in England by the UK Government, will be focussed towards the college sector in Scotland, and be used to contribute to the move towards a financially sustainable sector.

The current uncertainties surrounding the UK’s exit from the European Union (EU), and the scale of any economic shock as a result, make this a particular challenging time for financial planning. The college sector is ready to continue to work with the Scottish Government and the Scottish Funding Council (SFC), and to be adaptive to assist in dealing with the economic shock and the mitigating actions required.

All of the uncertainties set out above, including the tight fiscal environment that currently faces Scotland’s public sector, leads Colleges Scotland to conclude there is a need for a fundamental review of the current funding model and measurement of activity for colleges. This review is required to ensure that the resource for the college sector is positioned and structured to support deliver of the policy priorities of the Scottish Government. Colleges Scotland would be pleased to engage in preparatory discussions, including appropriate remit and timescales, at this stage around such a review.

The table below sets out our request for additional revenue funding over and above the baseline for the college sector. It should be noted that this table assumes the baselining of previously received funding, for example, for National Bargaining / harmonisation (including all elements for backdating Job Evaluation to September 2018). The request around Flexible Workforce Development Fund is based on the assumption that the level of funding of £20m for 2020/21, as set out the Future Skills Action Plan, continues to be delivered solely through the college sector.

<table>
<thead>
<tr>
<th>Investment Requirements for Academic Year</th>
<th>2020/21 £m</th>
<th>2021/22 £m</th>
<th>2022/23 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional funding to maintain revenue in real terms (adjusting for inflation – see Note 1)</td>
<td>11.2</td>
<td>12.0</td>
<td>12.3</td>
</tr>
<tr>
<td>Flexible Workforce Development Fund (FWDF) – see Note 2</td>
<td>0.0</td>
<td>10.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Scottish Teachers’ Pension Scheme (STPS)</td>
<td>11.0</td>
<td>11.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Sanitary Products</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Change Fund</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Total Additional Revenue Request</strong></td>
<td>29.4</td>
<td>40.2</td>
<td>50.5</td>
</tr>
</tbody>
</table>


Note 2: The figures in the table for FWDF represent the additional amount over and above the funding level of £20m per year, as set out in the Future Skills Action Plan.

The table below sets out our total request for capital funding for the college sector (except for NPD payments or capital funding related to Forth Valley College).

<table>
<thead>
<tr>
<th>Capital Investment Requirements for Financial Year (FY)</th>
<th>2020/21 £m</th>
<th>2021/22 £m</th>
<th>2022/23 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estates Funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backlog capital maintenance – see Note 3</td>
<td>46.0</td>
<td>106.0</td>
<td>106.0</td>
</tr>
<tr>
<td>Lifecycle maintenance</td>
<td>22.0</td>
<td>22.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Digital Funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lifecycle replacement</td>
<td>25.0</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total Capital Request</strong></td>
<td><strong>93.0</strong></td>
<td><strong>153.0</strong></td>
<td><strong>153.0</strong></td>
</tr>
</tbody>
</table>

*Note 3: There would be a reduction in the level of this ask if the funding for the capital projects set out in this Spending Review submission is provided.*

In addition, resources need to be identified for the following:

- Five major campus refurbishment / replacement projects, with typical values of between **£70m** and **£100m** each.
- Major capital projects required in the college sector as a result of strategic issues and curriculum change.
- Investment in developing and extending ICT and digital technologies in the sector.

2. Background

Scotland’s colleges now operate within a national network that enables regional influence and capacity. This allows the college sector to significantly contribute to the delivery of sustainable, high quality vocational, technical and professional education, benefitting learners, impacting on communities, and supporting economic growth.

**Vision – College Sector**

A dynamic, collaborative, and innovative sector delivering high-quality lifelong learning, widening access to education, and promoting social inclusion that enables people to thrive in life, in their communities, and in work.

This Spending Review comes at a challenging time for the college sector and its partners as we face significant reduction in public sector resources, coupled with ongoing uncertainty about the United Kingdom’s departure from the EU and the consequences for colleges. Through the European Social Fund programmes, between 2016/17 and 2018/19, it is estimated that Scotland benefited in investment of approximately **£66m** (including match funding).

Reduction in EU funding will cause a reduction in teaching activity within the college sector and adversely impact on funding for learners, including some of the most vulnerable students and those furthest from the workforce which will affect progress on widening access. In addition, currently the Foundation Apprenticeship and Graduate Apprenticeship programmes are funded from EU schemes. As discussions are held with regard post Brexit funding for all these areas, Colleges Scotland ask is to ensure there is resource to support the learners’ funding and to provide this directly through the college sector budget. Colleges also deliver significant levels of higher education and a continuation of payment of tuition fees also needs to be addressed.

At the same time as the challenges around Brexit and the underlying demographic trends, a continuing move towards greater automation in a range of lower skilled areas of the economy, pose significant challenges for the college sector in Scotland.
Colleges Scotland is mindful of the starting point for funding the different sectors within the educational landscape. The teaching allocation per college learner is approximately half of that received by universities, and the lowest across the whole of education provision (pre-school, primary, secondary and universities). This demonstrates the high level of efficiency colleges have already achieved but which is difficult to sustain as confirmed by Audit Scotland.

Despite these challenges we know the college sector will deliver high-quality lifelong learning and skills training that enables people to thrive in life, in their communities, and in work. Continuous learning lies at the heart of a successful economy in the context of the Fourth Industrial Revolution. A recent report by Fraser of Allander Institute highlighted the critical supporting role that colleges will play in providing an appropriately skilled workforce, to allow Scotland to fulfil its global potential by 2050. Colleges support people of all ages to obtain technical, professional and vocational education and skills to reach their potential and progress into further study, training or employment.

Colleges are located across Scotland, engaging with all local communities. They contribute hugely to Scotland as a nation and are delivering equality of access to the skills and knowledge which are vital for successful careers, whilst also supporting a positive culture within our communities. They are ideally placed to train and develop the current and future workforce and essential to help move away from a reliance on recruiting people from the rest of the EU.

### 3. Economic and Social Impact of Scotland’s Colleges

Scotland’s colleges create economic value in many ways. They put learners on the path to success and help them to increase their individual potential and employability, leading to the offsetting of other public-sector spending, e.g. justice, social security, and public health. Equally important, colleges provide employers with the skilled workforce necessary to make their businesses more productive.

The college sector spend along with that of its staff and students, supports the economy and contributes to increased tax receipts and decreased public sector costs.

| The Scottish economy (as measured by GDP) will be better off by over £20 billion in present value term (i.e. with future benefits discounted) over the long-term. |
| This corresponds to around an additional £55k boost to productivity for the Scottish economy per college graduate. |
| The investment is estimated to support nearly 14,000 Full Time Equivalent (FTE) jobs in present value terms. |


### 4. Delivery by the College Sector

Scotland’s colleges will, with the investment and innovative changes set out in this submission, be able to achieve the ambitious vision to deliver an education system that ensures all learners reach their potential and contribute to the economy, by producing a highly skilled workforce through retraining and upskilling to ensure inclusive economic growth.

Scotland’s colleges provide a national network with a regional focus which has demonstrated its ability to respond quickly and effectively to Scottish Government policy direction as identified in the

---

2 Parliamentary answer by John Swinney MSP to question S5W-22664 (1 May 2019)
3 Fraser of Allander, Scotland in 2050: Realising our Global Potential – Final Report, March 2019
government policy paper Scotland’s Colleges: Delivering for All. No other sector has the ability to reach the businesses, communities, and individuals who are at the heart of the Scottish Government’s change agenda. The investment requests identified by the sector are essential to ensuring the delivery of the strategic aims of the Scottish Government.

This Spending Review submission has been developed on the assumption of delivering the Scottish Government target of 116k FTEs, however in light of the aspirations of Scottish Government to see an increase in part-time learners and to support training and upskilling of those in-work, the current methodology to measure and fund activity in colleges is not appropriate. Colleges Scotland and the college sector is keen to work with the Scottish Government and the SFC to identify a methodology that is more likely to achieve the aspirations.

5. Sustainable and Evidence Based Investment

Even with the current funding levels for colleges outlined above, and the funding challenges faced by colleges as highlighted by Audit Scotland in the Scotland’s Colleges 2019 report⁴, colleges have continued to deliver efficiencies. These efficiencies have included the absorption of pay awards, additional pension costs and the introduction of the Apprenticeship Levy. In light of all of these, Colleges Scotland is of the view that the revenue and capital funding requests, as set out in this submission, are both reasonable and required.

Revenue Funding

Protection of Core Functions

Provision of a sustainable level of revenue funding is required to protect the core functions of the college sector, essential to delivering the Scottish Government’s priorities including the Programme for Government and the National Performance Framework. In particular:

- Progress the Scottish Government’s policy objectives and deliver the quality and volume of activity targets.
- Ensure colleges contribute to inclusive economic growth – at both a regional and national level – leading to increased prosperity with greater equality, the creation of opportunities for all, and the fair distribution of benefits from increased prosperity.
- Retraining and upskilling of the workforce to deliver increased productivity will require a greater focus on part-time learning. This will require more flexible approaches, models of delivery such as modularisation and curriculum choices, as well as carrying a need for greater resources in order to achieve the delivery targets set by the Scottish Government and the Enterprise and Skills Strategic Board.
- Participate fully in the Adult Learning Strategic Forum for Scotland.
- A key role for the college sector, in the communities they serve, is to support the development of the skilled workforce, required by employers, in order to allow them to contribute to sustainable economic growth.
- Take action to deal with the Climate Emergency, through contributing to the development and delivery of the Climate Emergency Skills Action Plan and the new partnerships with colleges through innovating for Net Zero.
- Delivery of learners to pursue a career in cyber security.
- Take action to contribute to an acceleration of the implementation of the Learner Journey Review.
- Delivery of the skills alignment agenda of the Enterprise and Skills Strategic Board.
- Take action on gender equality, both on college boards and on courses.
- Improved retention and attainment rate of learners.
- Delivery of training for Early Years and Childcare professionals in support of key Scottish Government policy driver.

• Provider of retraining and upskilling to allow all learners to contribute to inclusive economic growth.
• Ensure continued delivery of Foundation Apprenticeships and Graduate Apprenticeships in the post-Brexit landscape.
• Provide the necessary pastoral support to students, including preventative mental health services and in-college student support services, which are fundamental to improved retention and attainment rates as colleges continue to deliver on widening access.
• Provide the appropriate support for young and adult carers.
• Recognition and positive support of veteran’s education.

Funding for National Bargaining

The college sector will continue to support the significant changes to pay and conditions resulting from the fulfilment of the Scottish Government’s policy to implement National Bargaining in the college sector.

The conclusion of pay harmonisation for lecturers and job evaluation for support staff has increased the sector base salary position and this recurring cost is now required in each year, which has been verified by the SFC as £48.9m for 2020/21. It is clear that funding will require to be maintained year on year to cover the cost of implementing this Scottish Government policy. The college sector is now at a critical point, as highlighted by the Auditor General for Scotland’s report Scotland’s Colleges 2019, and further additional cost pressures, such as National Bargaining, makes it clear that without provision of this resource year on year, the ongoing costs are not affordable for the sector.

Our assumptions are that:

• The resource of £48.9m will be baselined into the budget for the college sector going forward.
• The resource awaiting distribution on conclusion of pay outcomes of Job Evaluation is still available to the college sector.

The £48.9m includes an estimated 6% increase to support staff salary costs as a result of implementing the outcomes of job evaluation (which will be backdated to September 2018). It must be emphasised that the total cost to the sector following this exercise is still not known at this time. Support staff trade unions appear to be pursuing a request for upwards harmonisation, similar to that negotiated for lecturers. It is important to note that the funding provision requested does not meet this aspiration. As an indicator, a similar increase to support staff pay levels aligned to Lecturing pay outcomes has been estimated to cost (based on prudent assumptions) an approximately additional £6m per annum over and above the £48.9m per annum figure.

Changes to Funding

In addition to the above challenges, the current plan to absorb National Bargaining funding into the existing funding methodology by reallocating the quantum of funding away from specific point of need to a set percentage across the college sector, presents real risks of further destabilising colleges who would not receive enough resource to cover the additional costs, especially if the financial environment continues to be so tight as highlighted by the Auditor General for Scotland. Recent projections from SFC show that some colleges could lose up to 4% of their core funding. There could also be regional circumstances which increase the challenge of the change to the funding, for example, Distant Islands Allowance.

Flexible Workforce Development Fund (FWDF)

Colleges welcome the opportunity to progress the implementation of the FWDF which has provided a resource up until now of £10m to the sector to help increase Scotland’s productivity through up-skilling the existing workforce. The college sector has demonstrated successful delivery of the fund since its launch, meeting employers training needs and establishing relationships with many new businesses.
Employer feedback has demonstrated that the work colleges have undertaken with levy-paying organisations has positively contributed towards the achievement of significant economic impact and increased productivity as a result of training to support public, private and third sector organisations, supported through the FWDF.

Colleges Scotland is committed to maximising the benefit of the FWDF, with the current model shown to deliver on this government priority. The request around FWDF is based on the assumption that the level of funding of £20m for 2020/21, as set out the Future Skills Action Plan, continues to be delivered solely through the college sector, and that the FWDF will continue to be available in 2021/22 and beyond. Our request is for the provision of the £20m resource in 2020/21, increasing to £30m in 2021/22 and £40m in 2022/23 (i.e. an additional £10m in 2021/22 and £20m in 2022/23 over the baselined amount).

### Flexible Workforce Development Fund (FWDF) – Case Studies

**Borders College**

Staff at the Scottish Public Pensions Agency (SPPS) in Tweedbank recently completed WorldHost (the principles of customer service) training delivered by Borders College through the FWDF. This has given their staff the skills and knowledge necessary to deliver excellent customer service at the agency.

**Forth Valley College**

The FWDF has enabled Tillicoultry Quarries to train more than 100 of their staff. The family owned firm which has 11 sites across Central Scotland specialising in hard rock and sand quarries, recycling and asphalt and concrete plants, is building a strong relationship with Forth Valley College, which is delivering training at their sites in IOSH – Managing Safely and Manual Handling.

### Scottish Teachers’ Pension Scheme (STPS)

The Scottish Public Pensions Agency (SPPS) previously advised that there will be a significant increase in employer contribution rates from September 2019. This was as a result of:

- HM Treasury seeking to reduce the Discount Rate further from 2.8% to 2.4% from April 2019.
- Following a Court of Appeal decision on Thursday 20 December 2018, an amount equivalent to the corrective measures that would have been implemented as a result of a breach of the cost cap floor, following the 2016 valuation of the STPS.

The combined impact of these scenarios is an increase in the employer contribution rate to 23% of pensionable pay from September 2019. For 2020/21, this is an increase in employer costs to the college sector in Scotland of approximately £11m per annum. For the purposes of this Spending Review submission we have maintained the ask at this level over the three-year period.

Colleges Scotland was pleased to see the announcement of the provision of additional funding for the period up to end March 2020, and this ask relates to the continuation of this additional funding for the Spending Review period.
Sanitary Products

Colleges Scotland is pleased that the Scottish Government has confirmed that funding of £1.7m to support the provision of free sanitary products will be in place for 2019/20, which is allocated on a financial year basis.

This ask is based on the assumption that the Scottish Government will continue to support this policy area and therefore will provide the required ongoing resource. Colleges Scotland’s request therefore relates to the continuation of this additional funding for the Spending Review period, whilst acknowledging the requirement to provide resource to cover the costs for the remainder of the Academic Year 2019/20.

Change Fund

The Auditor General for Scotland has made it clear in the Scotland’s College 2019 report that the college sector is now operating with extremely tight margins, which combined with the sector’s inability to hold reserves or borrow, leaves a reliance on public funding.

In order to provide the capacity and support the innovation necessary to ensure that the college sector is strongly placed to take forward key areas such as upskilling and re-training, adapting to the changes in demography with a focus on adult learners, ensuring an even stronger employer engagement, achieve the ambitions of the Enterprise and Skills Strategic Board, and contribute to inclusive economic growth and increased productivity, Colleges Scotland is making a request for a Change Fund.

The purpose of the Change Fund is two-fold:

- To take forward existing initiatives.
- To development new diversification initiatives and to broaden our sources of income, including exploring potential options through pilot studies.

In line with the college sector’s strategic vision, high-level strategic goals will be developed in partnership with relevant stakeholders, which the Change Fund can resource. This approach will ensure delivery of improvement projects at a college level that are responsive to regional needs, but which will also contribute to national goals.

Take Forward Existing Initiatives

Innovation

The College Innovation Fund in 2018/19 was used to support projects which demonstrated effective college and business collaboration in support of Scottish Government strategy. For example, the FUTUREquipped project was a collaborative, cross sectoral, college and Innovation Centres pilot that involved Construction Scotland Innovation Centre, Digital Health Institute, Innovation Centre for Sensor and Imagining Systems, and The Data Lab. Several colleges also utilised the opportunities through use of Innovation Vouchers, whilst each college received resource from the College Innovation Accelerator Fund.

The college sector has also been named as partners in regard to Innovation Centres during the review of the relevant Outcome Agreements by the SFC.

Colleges are in a strong position to assist businesses to drive up productivity and their contribution to the Scottish economy through process and design innovation, and through enabling leadership and management practice improvements. The college sector has significant reach into the Small and Medium Enterprises that are the backbone of the Scottish economy and have traditionally been harder to engage in such activity.
The college sector is also a critical player in provision of the skills required in de-carbonising the economy and assisting in the mitigation of the challenge presented by climate change.

Colleges Scotland is anticipating that funding will continue at the current level, and that going forward adequate funding is available to develop innovative work of the college sector.

**Regional Science, Technology, Engineering and Mathematics (STEM) Partnerships**

The college sector is fully engaged and looking forward to progressing the role of leading the development of regional STEM partnerships. As the Developing Young Workforce (DYW) reaches the final stages of its seven-year programme, colleges are well placed to take forward what has been embedded in the educational system. STEM will be a key element of moving this forward, and colleges are uniquely positioned to deliver this aspect of the Scottish Government’s agenda.

In order to facilitate colleges leading this agenda and ensuring the momentum of what has been achieved through the DYW programme, a need for adequate additional resource has been identified. These resources include staffing to both ensure that the regional activities in relation to STEM can be effectively delivered and underpin strong co-ordination across all partners within the region to allow existing resources to be fully utilised, as well as a national support mechanism.

Colleges have a proven record of supporting both co-development of curriculum and delivery, and City Region and Growth Deals rely on having a sustainable, high quality vocational, technical and professional skilled workforce to support economic growth, as well as partnership working with business and industry. This provides a real opportunity for colleges to integrate within Scotland’s City Region Deals on the development of skills to support the aims of city and growth deals.

**WorldSkills**

Participation in WorldSkills International, EuroSkills, and WorldSkills UK has seen colleges from Scotland ranked regularly in the top 10, achieving the highest international standards in vocational and technical skills competitions. Such success sends a strong message to those international companies considering investment in Scotland. In addition, participation allows for utilisation of the knowledge and learning gained from competition to raise standards in Scotland. There is also the opportunity to leverage the value from the competitions and potential public investment from across different policy areas.

**Job Evaluation Process**

In order to implement and maintain the process and delivery of a National Job Evaluation exercise for support staff, current calculations suggest that this will result in additional costs not previously identified for 2020/21 that relate to identified staffing, support and software costs to ensure adequate support for the overall project.

There will then be continuing costs in 2021/22 and 2022/23 related to the support of the ongoing process and administration of Job Evaluation.

**New Diversification Initiatives**

Colleges are looking to capitalise on their regional scale, recognising the importance of the growth in regional economies for the delivery of inclusive economic growth and for dealing with the impact of climate change for Scotland. Colleges can add value not only in the delivery of vocational, technical and professional education and skills, but in the wider range of developments that are required.

The college sector is looking to respond to the challenge to diversify its income streams, as recently discussed with the Minister for Further Education, Higher Education and Science. In order to do this, it has been acknowledged that some investment is required upfront. There are further commercial...
opportunities that colleges could utilise and grow, but as a consequence of the increasing tight margins that colleges operate in, as highlighted by the Auditor General for Scotland in the Scotland’s Colleges 2019 report, there is no headroom for colleges to develop many of the opportunities that could be available to the sector. The ability to diversify has been acknowledged as requiring additional investment.

Colleges Scotland is requesting an element of the Change Fund to be used by colleges to access resource to stimulate activity within the college sector that will increase commercial activity and generate additional income to the sector.

A Change Fund would enable colleges to invest in long term skills training programmes which would be of benefit to the wider regional deals, as well as assist in further engagement of international work, whilst having the wider human impact of up-skilling and re-training the workforce and the subsequent economic benefits this would bring. The provision of a Change Fund would enable the college sector to continue to achieve the Scottish Government’s ambitions.

**Summary of the Change Fund**

The Change Fund will allow both the continuation of successful existing initiatives and for colleges to develop new diversification initiatives, that will strengthen the delivery of the skilled workforce in line with Scottish Government priorities, against the backdrop of the tight finances within the college sector.

The total amount of the ask for the Change Fund is £5.5m each year of the Spending Review period.

**Mental Health**

Colleges Scotland is pleased to see the Programme for Government’s commitment to provide funding to for 80 additional mental health counsellors across the tertiary education sector. Colleges Scotland welcomes the opportunity to utilise this resource to reduce the variation in provision across the college and university sectors and to allow Scotland to move towards equity of access for learners, no matter where they study, as well as acknowledging the greater differentiation of support required by those studying at colleges.

Building on this commitment, the college sector is seeking to begin to address mental health prevention and to build resilience across the whole community, through a range of provisions that will address learners’ needs, beyond the provision of counsellors. This will be achieved through a collaborative approach at a regional level, by a co-ordinated plan to ensure there are sufficient arrangements, strategies and resourced services made available through appropriate partnerships. Colleges Scotland will work with other key stakeholders to identify the additional resources required to continue to strengthen the provision of mental health services over the period of the Spending Review, which will provide preventative measures to complement the additional counsellors. This would include, but is not limited to, the use of, and funding levels related to, the Access and Inclusion Fund.

**Student Support**

Following the recent independent review and the response of the Scottish Government, Colleges Scotland is pleased with the additional resource focused on specific recommendations from the report. Colleges Scotland looks forward to further engagement with Scottish Government and the SFC to discuss the resourcing implications of other recommendations from the review that the Scottish Government is minded to support.
Widening Access

The contribution of colleges to the Scottish Government’s aspirations around widening access is significant, as highlighted by the Sutton Trust report\(^5\) that identified that 90% of those learners from the most social deprived background that went to university did so through colleges. Colleges Scotland is keen to explore how more activity can be delivered through the college sector in support of this key policy area.

Infrastructure Investment

The future of college infrastructure must be considered in the context of:

- The current level of capital funding was outlined as ‘insufficient to address colleges’ maintenance requirements’ in the Auditor General for Scotland’s report *Scotland’s Colleges 2019*.
- The National Infrastructure Mission, set out in the Scottish Government’s Programme for Government 2018, to enable maximum benefit to Scotland to be gained from the investment and to ensure that the construction and other skilled workers required to deliver the projects are skilled up and in sufficient numbers through a robust and responsive college sector.
- The Infrastructure Commission for Scotland, by investment in college infrastructure that delivers not only inclusive economic growth but maximises the opportunities for innovation and entrepreneurship in Scotland’s businesses, as well as skilling up the workforce required to increase industrial competitiveness and underpin wellbeing in society.
- The college sector’s and the nation’s digital ambitions.

Our Digital Ambition

New forms of service delivery and new and agile forms of learning enabled by digital integration of learning experiences and the creation of new and diverse skills, must be considered alongside the use of digital technologies as part of the planning of the future estate and to support the development of the college of the future. Future strategies for learning and communities should be incorporated into planned investment. Investment in information and digital technologies will be key to achieving the transformational change to teaching and learning needed in the 21st Century.

There are a number of drivers for colleges in relation to developing their digital ambition, and Colleges Scotland will work with the SFC and other key stakeholders in order to ascertain the ICT requirements of the sector and the related resources in order to inform future capital requests.

The level of investment in digital technologies required to respond to Industry 4.0 and to provide unbundled flexible work-based learning to those in employment as envisaged by the Enterprise and Skills Strategic Board is currently beyond the technology across the college sector.

There is a need to consider the future role of the sector and link investment appropriately with the flexibility to prioritise needs at a regional level.

Capital Funding

**Major Capital Projects**

The condition of the college estate is variable, and whilst there has been significant capital investment in the college sector over the last few years, some college campuses are in a very poor state of repair and require urgent attention. Continued investment in the college estate and Information and Communications Technology (ICT) capital is vital in order to ensure learners have the best possible learning experience; to make sure they are being taught in appropriate and safe

\(^5\) [https://www.suttontrust.com/research-paper/access-in-scotland-university-participation/](https://www.suttontrust.com/research-paper/access-in-scotland-university-participation/)
facilities; to bring equity to the learner experience; and to allow colleges to fully contribute to Scottish Government priorities. This investment also supports innovation, new markets and entrepreneurship through investing in college assets to provide state-of-the-art facilities in order to equip learners with the professional and technical skills to be work-ready.

Colleges Scotland and the SFC are preparing detailed inputs to the work of the Infrastructure Commission for Scotland, which will include analysis of the known priority projects requiring capital investment as a result of poor estate conditions.

At this stage it is possible to provide estimates of the broad amounts of such investments required for the five projects of highest current priority and the typical capital value of these major campus redevelopments / replacements is in the range £70m - £100m each.

Colleges Scotland is also aware that there are major capital projects required in the college sector as a result of strategic issues and curriculum change, and the ask is that these are recognised in addition to the capital need for dealing with the poor estate condition.

Colleges Scotland is working with Scottish Government and the SFC to identify the appropriate funding route, for example, through the proposed Mutual Investment Model, as outlined in the Scottish Government’s Medium-Term Financial Strategy.

**Backlog Maintenance**

The SFC published its *Estate Conditions Survey* in December 2017, which provided evidence for the level of backlog maintenance costs required by the college sector. Colleges Scotland is requesting sufficient funding to meet the college sector’s backlog maintenance requirements.

The survey demonstrated that the cost to bring college buildings to Level B conditions (backlog maintenance) would be £360 million over a five-year period. The survey highlighted items from very high to low priority items. The very high priorities were addressed through funding that was received in 2018/19. The survey identified approximately £77 million of high priority items, which should be addressed within the two years 2019/20 and 2020/21. Taking into account the resources provided to date, the balance of the resource required to deal with the high priority items in 2020/21 is around £46m.

For 2021/22 and 2022/23, the remaining costs identified in the SFC’s *Estate Conditions Survey* need to be resourced in order to complete the identified work within the five-year timespan covered by the survey. The costs, taking into account those backlog maintenance costs offset by actual new capital investment, are approximately £212m. Spread evenly over 2021/22 and 2022/23, this equates to £106m each year.

These figures will reduce if there is new investment to replace or completely refurbish buildings which are in the poorest condition. The impact of such reduction will depend on the level of investment and its timing.

**Lifecycle Maintenance**

Lifecycle costs are required across the college sector estate in order to ensure that assets are adequately maintained and therefore continue to provide a good learning environment and protect the investment made.

The college sector is seeking an adequate and sustainable level of funding for life cycle costs. The SFC undertook work to provide a more robust evidence base for such costs. This work demonstrated that the annual lifecycle resource required was £22m for the college sector.

This estimate is to try and ensure that there is no deterioration in the teaching and learning environment in the meantime, and avoid increasing the level of backlog maintenance required.
Previous capital submissions to the Spending Review have not included the costs associated with ICT required to cover the costs of achieving the digital ambition of the sector. An estimate of the costs of maintaining existing provision can be made from the annual ICT equipment purchase through the APUC call off contract. For the last full year available (2014/15) this amounted to approximately £25m, which would represent a recurring annual cost of equipment replacement. This does not recognise the significant additional cost required to meet changing demand on the sector. Through the College Strategic Liaison Group, it has been agreed that during 2020/21 the sector will develop an ICT and Digital Strategy which will be used to inform a comprehensive resource and implementation plan, which will inform the Spending Review submission for 2021/22.

The various elements of infrastructure investment are outlined in the following table:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Backlog Maintenance/£m</th>
<th>Lifecycle Maintenance/£m</th>
<th>Digital/£m</th>
<th>Total (excluding major projects)/£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020/21</td>
<td>46.0</td>
<td>22.0</td>
<td>25.0</td>
<td>93.0</td>
</tr>
<tr>
<td>2021/22</td>
<td>106.0</td>
<td>22.0</td>
<td>25.0</td>
<td>153.0</td>
</tr>
<tr>
<td>2022/23</td>
<td>106.0</td>
<td>22.0</td>
<td>25.0</td>
<td>153.0</td>
</tr>
</tbody>
</table>

In addition, resources need to be identified for the following:

- Around five major campus refurbishment / replacement projects, with typical values of between £70m and £100m each
- Major capital projects required in the college sector as a result of strategic issues and curriculum change
- Investment in developing and extending ICT and digital technologies in the sector.

6. Summary

The vision of both the college sector and Colleges Scotland supports the Scottish Government’s policy intentions in relation to:

- achieving the Scottish Government’s target of 116,000 FTEs
- providing a positive learner experience
- seamless learning and skills journeys
- improving attainment
- Developing the Young Workforce
- widening access
- tackling inequalities
- expanding opportunities across all socio-economic groups
- providing equality in education
- enhancing the skills of those in the workforce
- strengthening the economy through improving productivity and innovation
- delivering the STEM agenda
- retraining and upskilling of adult learners.

It is evident from this submission that an investment in the college sector brings positive benefits to inclusive sustainable economic growth, communities and people (students, staff and partners), and allows Scotland’s colleges to contribute to Scottish Government strategies and policy direction.

Colleges Scotland
October 2019