



## Education and Skills Committee

7<sup>th</sup> September 2016

This paper provides subject overviews on further and higher education (panel 1) and skills (panel 2). Text boxes highlight potential issues that may be covered at the session. The briefing on panel 2 starts on page 10.

### Panel 1 – further and higher education

There has been significant policy focus on further and higher education in recent years. To inform the panel on further and higher education, this paper offers a flavour of some of the issues that have been affecting colleges and higher education institutions (HEIs)<sup>1</sup>. The four themes considered below are: college reform; college governance; widening access to higher education; and funding for colleges and HEIs. Given the complexity and range of issues of relevance to this session, members can request further information from SPICe on these or other relevant topics, if required.

#### Background

There are 25 [publicly funded colleges](#) in Scotland. Scotland's colleges provide a range of study options including full time, part time, distance learning and short courses. They also deliver education across a variety of levels of study ([as explained in the SCQF framework](#)). This includes vocational (e.g. National 5), further education (e.g. National Credits) and higher education (e.g. Higher National qualifications). Given this diverse range of study options, the students at Scotland's colleges come from a wide range of socio-economic backgrounds and represent a wide demographic profile.

There are 19 HEIs in Scotland representing a variety of types and historical origins. HEIs deliver higher education programmes across SCQF levels 7 to 12 ([see the SCQF framework for information](#)). This includes ordinary and honours degrees, taught and research based Masters and PhDs. Sixteen of the 19 HEIs in Scotland are able to use the title “university” as they are approved providers of both taught and research degree programmes.

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<sup>1</sup> The term “higher education institutions” is used here rather than “universities” as there are three HEIs in Scotland that do not have university status. These are: Glasgow School of Art; The Royal Conservatoire of Scotland; and Scotland's Rural College (SRUC)

## College Reform

Potential topics for discussion:

- how colleges have adapted and responded to the range of developments / changes being faced, and where in the process they are now.
- the specific issues (challenges and opportunities) that the range of recent reforms have raised for colleges in terms of how they operate and support local learners and employers.
- the measures that are still needed to be taken to ensure effective monitoring and evaluation of the reform agenda.

Colleges have been going through a period of significant change in recent years. These changes have been informed by a number of different policy measures, including:

- A policy commitment to regionalisation of the structures and governance of publicly funded colleges<sup>2</sup>
- A new funding model, based on negotiations between the SFC and individual colleges to establish Outcome Agreements, which set out the activity colleges will pursue in return for the funding received.
- The reclassification of colleges by the Office of National Statistics (ONS) as public bodies – affecting the way that colleges audit their accounts; colleges no longer being able to hold large cash reserves from one financial year to the next.
- The reintroduction of national collective bargaining for college staff.

The previous Education and Culture Committee held a [one-off evidence session](#) in March 2016 focused on the issue of college reform. During that session Colleges Scotland raised the issue that the Scottish Government youth employment strategy: [Developing Scotland's Young Workforce](#) had been a central factor in how colleges operate. Notably:

“This strategy, and the policy initiatives that preceded it, have had an impact on the age profile of students attending college courses and on the requirements and standards for learning in the workplace with employers.”

Audit Scotland, for example, highlights in its [Scotland's Colleges 2016](#) report that the number of under-25s in full time education at college has increased by 14 per cent in the last eight years. Student numbers overall have decreased by 41 per cent over the same period and part time students by 48 per cent. Most of the reduction in student numbers has been among women and people aged over 25 years. It points out that: “the potential impact of a policy change on these groups was not assessed prior to implementation.”

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<sup>2</sup> An overview of college regionalisation can be found in this [SPICe briefing](#).

## College Mergers

A significant part of the college regionalisation agenda was the merger of a number of colleges in Scotland; with this resulting in a reduction in the total number of colleges in Scotland from 43 in 2010 to 25 by 2014 (affecting 70 per cent of the college sector).

The SFC recently published a report on the [impact and success of the programme of college mergers](#) drew attention to the policy drivers behind this development. These included: “reduced duplication, better outcomes for students and high quality learning, enhanced engagement with employers and financial savings for the sector”.

The analysis of the impact of mergers conducted by the SFC indicates an overall recurring annual saving of £52.2 million across the nine colleges considered in this work. The cost of delivery of the merger programme, including ring-fenced funding for Students Associations, was £69.6 million. The SFC concludes from this work that:

“...the strategic outcomes of the mergers and key benefits for students and stakeholders anticipated in the merger proposals have been, or are in the process of being, achieved. Overall, the implementation and outcome of the merger programme has been a success, though we recognise that some colleges are still addressing particular challenges of merger, including financial and operational issues.”

The Audit Scotland report Scotland’s Colleges 2016 (which looked at the performance of colleges in the period financial year 2014-15) highlights that “colleges are still adjusting to the substantial changes that affect how they operate.” It points to the range of pressures on the sector in recent years, notably: funding reductions, college regionalisation and mergers, reclassification as public bodies, national collective bargaining and implementation of a new funding model. Not all of those developments are yet fully implemented, for example the full costs of harmonising staff terms and conditions through the national pay bargaining process have still not been estimated. Audit Scotland considers that these costs “could be significant”.

## College Governance

Potential topics for discussion:

- whether the measures that have been taken to address governance failures are sufficiently robust and future proofed to avoid similar issues arising in the future.
- whether the inequalities that were highlighted in the Griggs report in January 2012 have been addressed through recent college reforms, notably through regionalisation and activity to improve the governance of colleges.
- whether the original intention of college governance changes has delivered on the aim of “putting learners at the heart” of colleges.

College governance has been a focus of policy attention since 2011 when the Scottish Government commissioned a review of college governance. The final report: the [Report of the Review of Further Education Governance in Scotland](#) was published in January 2012. It

took as its starting point that colleges should operate on a regional basis and that the learner should be “at the heart of all that is done in the college”. While principally concerned with the governance of colleges, the review highlighted a number of significant inequalities in the way that colleges were operating, that were a cause of concern and which needed to be addressed through the move to a regional approach to college provision.

The inequalities raised in the governance review are varied, but include issues relating to:

- Surplus and reserve funds held by individual colleges – not to do with differences in management but to do with geographical location so access to sources of additional funding beyond that provided by the SFC.
- Attainment and retention rates – resulting from different approaches to selection of students, so some colleges were more inclusive / selective than others.
- Salary and conditions – each college has its own terms and conditions and pay is negotiated at individual college level.
- Leadership – many Boards and Principals have different views and ideas on what they are there to do and what outcomes they will produce from this activity.
- Financial health – relating to either poor management or where the geography of the college does not allow surpluses to be generated.
- Business and community links – variable engagement across different colleges.

While colleges were moving to regional provision, Audit Scotland reported on issues with the way that three colleges were operating during that process. These were North Glasgow College and then Coatbridge College, both of which were reported as having experienced failures in relation to the operation of severance payment packages during the merger process<sup>3</sup>. There was then a separate issue with Glasgow Clyde College that led to the Scottish Ministers removing board members at Glasgow Clyde College.<sup>4</sup>

In response to these reported failures, the then Cabinet Secretary for Education and Lifelong Learning, Angela Constance MSP, announced in October 2015 the establishment of the college good governance task group. This group was set up in direct response to these reported governance failures.

The task group’s report [Good College Governance](#) recognised that governance in many colleges has many positive features. However, given the failures that had been highlighted by previous Audit Scotland reports, a number of recommendations were made in order to improve college governance. These included: improvements to recruitment practices for Board membership; better support for development of Board members; external assurance measures to mitigate the risk of any future issues arising (e.g. the SFC playing a proactive

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<sup>3</sup> The Audit Scotland [report](#) published in March 2016 on Clyde College summarises the issues as follows: suspension of the Principal by the Board in February; the decision by Scottish Ministers to remove all Board members (except the Principal) in October, followed by appointment of an emergency board; and the Principal’s return to post in December.

<sup>4</sup> The issues raised by Audit Scotland in relation to [North Glasgow](#) and [Coatbridge](#) colleges relate to shortcomings in the governance of severance payments, which took place in 2013.

role in ensuring terms and conditions of grant are met); and more varied use of sanction where failures are identified.

Audit Scotland in Scotland's Colleges 2016 notes that the task group recommendations should help to mitigate the risks of similar governance failures in the future. However, it also notes that:

“While the SFC undertakes a range of monitoring and engagement within the college sector, this has not always resulted in timely and effective resolution of problems and issues. Despite the many changes in accountability arrangements in the sector, the Scottish Government has not undertaken a comprehensive review of the SFC's role in the last ten years. The Scottish Government's end-to-end review of the enterprise and skills agencies provides an opportunity to re-examine and clarify the SFC's role.”

It also notes that the activities of college boards are not sufficiently transparent. Only one college was found to have complied fully with the Code of Good Governance for Scotland's Colleges and published all agendas, minutes and papers within appropriate timeframes.

### **Funding for Colleges and HEIs**

Potential topics for discussion:

- the process that the SFC and colleges / HEIs go through to respond to the policy priorities identified by Scottish Ministers, including formal monitoring and evaluation of the progress made against these policy priorities.
- progress of national collective bargaining negotiations, and the implications of these for the financial health of the college sector.
- measures being taken within colleges and HEIs to address the areas of financial risk highlighted through the recently published Audit Scotland reports.
- the financial sustainability of colleges and HEIs in the wake of financial constraints.
- the particular risks for colleges and HEIs of the recent decision for the UK to no longer be a member of the European Union.

Funding for colleges comes principally from the Scottish Funding Council (SFC) – with this budget accounting for approximately 70 per cent of college income. The Scottish Government budget to the SFC for colleges in 2014-15 was £548 million. Audit Scotland points out in Scotland's Colleges 2016 that Scottish Government funding to the sector has decreased by 18 per cent between 2010/11 and 2014/15. Overall funding for 2015/16 will be increased by 0.2 per cent from the 2014/15 level. The total proposed allocation for 2016/17 represents a reduction of 1.4 per cent (£7.9 million) from the 2014/15 level.

The SFC is a non-departmental public body that acts on behalf of the Scottish Ministers with strategic direction coming from the Cabinet Secretary for Education and Skills. Annual guidance is issued by Scottish Ministers to the SFC setting out how it should work with colleges to best use the funding provided. Current strategic priorities for colleges as set out in the recent [Ministerial letter of guidance](#) include:

- High-quality, effective learning
- Access to education for people from the widest range of backgrounds
- Learning that prepares people for the world of work and successful long-term careers, and in doing so supports Scottish Government ambitions for economic growth
- Meeting the challenges set out in the [Developing Scotland's Young Workforce](#) report

Funding for HEIs comes from a mixture of sources. In financial year 2014-15<sup>5</sup>, Scottish HEIs generated a total income of almost £3.5 billion. The largest income stream (32%) came from the SFC grant (£1.1bn). A further 27 per cent came from tuition fee income (£941m). Research income made up a further 22 per cent of the budget (£796.3 million), while other income (e.g. commercial activity and consultancy services) made up 17 per cent (£594.1m); only one per cent (£49.7m) was endowment and investment income.

In the same way as occurs with colleges, the SFC is issued with guidance by the Scottish Government for the strategic priorities HEIs should focus on in use of the SFC grant that is allocated to HEIs. Current strategic priorities for HEIs as set out in the recent [Ministerial letter of guidance](#) include:

- Protection of the budget for teaching and research.
- Continuing progress on widening access to higher education.
- Promoting digital skills.
- Delivery of courses that reflect the needs of industry.
- Continuing efforts to prioritise innovation, growth, competitiveness and productivity within the work of HEIs, including through Innovation Centres.

### *Financial health of colleges and HEIs*

Recent Audit Scotland reports on colleges and HEIs have highlighted the “financial health” of colleges and HEIs. For colleges the findings are that the sector is “relatively stable” but funding has reduced in real terms since 2010-11 although it remains static for 2015-16. The financial performance of the sector was found to have deteriorated between 2013-14 and 2014-15, with four colleges experiencing underlying financial challenges. There are pressures on the finances of the sector relating to the current negotiations taking place in relation to national collective pay bargaining – which is likely to have financial implications for a number of colleges. There are also pressures with significant cuts to the capital budget allocation to colleges. With colleges no longer able to hold large cash reserves funding large capital / estate investment activity is now much more challenging for the sector.

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<sup>5</sup> Figures for 2014/15 are the most up to date currently available (published by HESA, April 2016).

For HEIs (reported in the [Audit of Higher Education in Scottish universities](#)), the findings were that HEIs were in good financial health. However, there are significant underlying financial risks affecting the sector. Notably, while some HEIs have financial surpluses and reserves, others are heavily reliant on Scottish Government funding. Five HEIs were found to rely on the SFC for more than 50 per cent of their total income. Consequently: HEIs that “continue to rely heavily on SFC funding will be at increasing risk if Scottish Government funding reduces”. Further, there are significant cost pressures facing the sector. For example:

- Twenty-two per cent of the estate is in poor condition and requires investment to maintain it.
- Costs associated with pensions and national insurance contributions are rising.

In this context, HEIs are relying more on generating income from fee-paying students, notably those from elsewhere in the UK who can be charged up to £9,000 per academic year for an undergraduate degree programme) and international students (non-EU) where fee levels are not regulated.

### **Widening Access to Higher Education**

Potential topics for discussion:

- whether current activity to widen access is sufficiently robust and focused to meet the Scottish Government’s target of 20 per cent of places at HEIs going to those from the 20 per cent most deprived areas in Scotland by 2030.
- the process for appointment of the Commissioner on widening access, including whether this should be a Ministerial appointment, how the appointment process should work, the length of tenure for the role and its intended goals.

In the First Minister’s statement on the [programme for government](#) for the next five years, presented in the Scottish Parliament on Thursday 26 May 2016, Nicola Sturgeon set out the government’s commitment to widening access to higher education. Specifically, she reiterated the target that, by 2030, 20 per cent of Scottish-domiciled university entrants should come from the 20 per cent most deprived communities in Scotland.

One way of measuring the gap in access to higher education is to look at school leaver destinations. At Chart 1 ([Annexe A](#)) we see that 19 per cent of school leavers from the 10 per cent most deprived areas go on to higher education compared to 61 per cent from the 10 per cent most affluent areas. School leavers from the 10 per cent most deprived areas are far more likely to pursue further education (31%) than their peers from the 10 per cent most affluent areas (13%).

[Table 1 \(Annexe B\)](#) presents trend data on the places where students from the most deprived areas go to pursue higher education. In the period academic year 2005-06 to 2014-15, Scottish-domiciled students living in the 20 per cent most deprived areas were far

more likely to be studying at college<sup>6</sup> (23% in 2014-15) than at an ancient university<sup>7</sup> (8.4% in 2014-15) or a university outside Scotland (7% in 2014-15).

NUS Scotland has recently pointed out that, on current trends, the Scottish Government is unlikely to meet its target of 20 per cent of entrants to HEIs coming from the 20 per cent most deprived areas in Scotland. It is argued that the target will take an additional twenty years to achieve, with progress in recent years being pointed out as very slow ([The Herald](#), Monday 29 August 2016).

On Friday 27 May a report on [Access in Scotland](#) was published by the Sutton Trust. It reported on research conducted by the University of Edinburgh, highlighting the efforts made by the Scottish Government to widen access, comparing how Scotland fares in widening access to university with other parts of the UK. It pointed out that the gap in university participation between young people in Scotland from the most and least deprived areas is higher in Scotland than in other parts of the UK, although it has been closing more quickly than elsewhere. However, the expansion in higher education participation that has taken place in Scotland has been met “almost entirely” by the expansion of sub-degree programmes at Scotland’s colleges. The report highlights that there is strong support in Scotland for widening access, with contextualised admissions<sup>8</sup> seen as particularly important (although little detail on their use and effectiveness). The current policy support for reserving a certain number of places for people from poorer areas has been cited as an effective way of widening access to university.

### *The Commission on Widening Access*

In 2015 the Scottish Government tasked the [Commission on Widening Access](#) with advising on the steps necessary to achieve the Scottish Government’s widening access target. The Commission published its [interim report](#) in November 2015 and its [final report](#) and recommendations in March 2016.

These reports set out the philosophy behind the need to widen access to university to all learners regardless of socio-economic background, the barriers that prevent students from poorer areas accessing the same opportunities that are available to students from wealthier areas and the issues that need to be addressed to achieve the goal of widening access. The Commission made 34 recommendations. The full list of recommendations can be accessed in the Commission’s report (see pages 14-19)

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<sup>6</sup> Seventeen per cent of higher education activity in academic year 2014-15 was taking place at Scotland’s publicly funded colleges. The majority of this activity (98%) was sub-degree level programmes, such as Higher National Certificates or Higher National Diplomas ([SFC, 2016](#); Table 1)

<sup>7</sup> The “ancient” universities are: University of Aberdeen, University of Edinburgh, University of Glasgow and University of St Andrews.

<sup>8</sup> Contextualised admissions is the term used to refer to approaches used by admissions teams where not just formal qualifications and written statements are taken into account in selection candidates for limited numbers of places on a degree programme. Factors such as whether the school attended is one that has low participation rates at higher education level and whether there is any family history of attending university are suggested as being considered alongside qualifications to fully consider the potential of an applicant.



The Commission recommended that the Scottish Government appoint a Commissioner for Fair Access (Recommendation 1) and also that it should report on progress against the recommendation “12 months after issuing its response” (Recommendation 34). To date the Scottish Government has not produced a formal written response to the Commission’s report. It did, however, as part of the Scottish Parliament statement on the programme for government agree to appoint in the summer (2016) a Commissioner on Access to drive the change needed, including ensuring that all of the recommendations of the Widening Access Commission are carried forward “in full”.

### **The Higher Education and Research Bill – UK legislation**

Potential topic for discussion:

- the implications of this legislation for Scotland, including any risks for teaching or research in Scotland.

The [Higher Education and Research Bill 2016-17](#) is currently with the House of Commons. This is a UK Bill that proposes a number of changes to the organisation of teaching and student support. While the Bill documentation suggests that these are largely only relevant to English higher education institutions (HEIs), Universities Scotland has flagged up a number of issues that are of concern for Scottish HEIs. Most importantly perhaps are proposed changes to the UK research infrastructure. The UK Research Councils enable HEIs from across the whole UK to access research grant income – Scottish HEIs, for example, accessed £254.9 million of research income from UK Research Councils in 2014-15.

Essentially the Bill allows reform of the UK government agencies that fund and support research across the UK. The seven Research Councils and Innovate UK will be brought together to form one new body: UK Research and Innovation (UKRI). At present the Research Councils operate across the UK. Universities Scotland has publicised its concern that the Bill sets up governance for UKRI that is only accountable to Whitehall Ministers, “with principally English interests”. It argues that the governance of UKRI needs to reflect the priorities of each of the four administrations across the UK. See Universities Scotland’s [briefing](#) on the Bill for more information.

Suzi Macpherson  
SPICe Research  
September 2016

## Panel 2 – Skills

Below is a short introduction to the panel members and then outlines some of the main issues in relation to skills policy.

### The Panel

*Skills Development Scotland:* Skills Development Scotland (SDS) manages and administers Scottish Government-funded training and employability programmes such as the Modern Apprenticeship programme and the Employability Fund. In addition, SDS provides careers information, advice and guidance, increasingly through the '[My World of Work](#)' website. SDS also works with partners to formulate Regional Skills Investments and Skills Investment Plans which attempt to assess skills demands now and in the future (see [SDS submission](#) to the former Education and Culture Committee).

*STUC:* The Scottish Trades Union Congress (STUC) participates in various groups involved in the governance of Scotland's skills programmes. For example, the STUC is involved in the Scottish Apprenticeship Advisory Board as well as the Modern Apprenticeship Group. Today's witness, Helen Martin, sits on the SDS Equality Advisory Group. Furthermore, General Secretary of the STUC, Grahame Smith, is a member of both the SDS and Scottish Enterprise boards.

*SCDI:* The Scottish Council for Development & Industry (SCDI) is an independent economic development network which seeks to "influence and inspire Government and key stakeholders with our ambitious vision to create sustainable economic growth for Scotland". Last year SCDI published its '[From Fragile to Agile: A Blueprint for Growth & Prosperity](#)' report arguing how Scotland could become a "world class digital nation" by 2020. Today's witness, Gareth Williams, also authored [SCDI's submission](#) to the Scottish Government's current 'end-to-end' review of enterprise and skills agencies.

*Standard Life:* Standard Life employs approximately 5,000 people in Edinburgh, with over 7% being under-25 (this is up from less than 1% four years ago). The investments and insurance company offers a range of development opportunities including apprenticeships, internships and graduate schemes. For example, Standard Life has delivered 375 apprenticeships since 2010. The company has also supported the development of the Foundation Apprenticeship in Financial Services. Since 2012, Standard Life has offered its 'Edinburgh Guarantee Scheme', a paid (at The Living Wage) six month internship to 20 young people each time. Earlier this year, Standard Life was awarded an [Investors in Young People Gold Accreditation](#).

### Modern Apprenticeships

Potential topics for discussion:

- the challenges and potential benefits of extending the number of apprenticeships.
- the roles of SDS, employers, the third sector and education establishments in delivering apprenticeships.

The Modern Apprenticeship (MA) programme is the Scottish Government's flagship training programme providing opportunities for individuals over the age of 16 to work towards an industry-recognised vocational qualification whilst in paid employment.

The Scottish Government, through SDS, usually part-funds the training and assessment elements of an MA, the degree of funding being determined by the age of the apprentice and the type of skills framework being delivered. For an apprenticeship programme to be a *modern* apprenticeship it must be approved by the [Modern Apprenticeship Group](#).

Administered by SDS, the MA programme delivers around 25,000 new apprenticeship starts each year. The Scottish Government is committed to delivering 30,000 MA starts by 2020, with a focus on increasing the number of highly skilled apprenticeships (see [First Minister's statement, 25 May 2016](#)). Modern Apprenticeship [statistics for 2014/15](#) show the number of starts by framework, level, age-group, gender and local authority area.

As highlighted in [Developing Scotland's Young Workforce](#), the Scottish Government is also working to widen the “apprenticeship family” with the delivery of new foundation and graduate level apprenticeships:

- **Foundation Apprenticeships** (FAs) are a work-based learning opportunity for secondary school pupils in S4 and S5. Young people spend time out of school at college or with a local employer, and complete the FA alongside their other subjects like National 5s and Highers. These were piloted between 2014 and 2016, with over 300 pupils participating. There is an expectation that over 1,000 FA opportunities will be provided in 2016.
- New **graduate-level apprenticeship** which will allow young people to provide work-based learning opportunities up to Master's degree level for employees are also being tested.

## Apprenticeship Levy

Potential topics for discussion:

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| <ul style="list-style-type: none"><li>• the unique nature of the Scottish approach to modern apprenticeships.</li><li>• the risks and opportunities of delivering programmes using funds raised through the apprenticeship levy.</li></ul> |
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The UK Government announced the introduction of an Apprenticeship Levy in its 2015 Autumn Statement ([HMRC, 2016](#)). This is intended to provide employer-led funding for the 3 million apprenticeship starts the UK Government hopes to create by 2020 ([BIS, 2015](#)). The Levy will be introduced in April 2017, impacting most companies and public sector organisations with pay bills in excess of £3 million per year. By 2019/20 it is estimated that the Levy will raise around £3 billion per year with the bulk (£2.5 billion) being spent on apprenticeships in England. The rest (£500 million) will be split among the three devolved nations (see [House of Commons Library Briefing](#) for more details).

The Levy will be collected by the UK Government through PAYE and redistributed across the UK. The [UK Government has committed](#) that Scotland will get a “fair share” of the apprenticeship levy. The Scottish Government is working with HM Treasury to finalise the value and method of transferring the Scottish share of the Levy, and with the Department for Business, Energy and Industrial Strategy to identify and resolve cross border issues from the introduction of the levy and reforms to apprenticeship delivery in England.

The UK Government launched a [consultation](#) on the Levy in August (closing on the 5<sup>th</sup> September). The Scottish Government's [response](#) highlights concerns that the Levy "undermines the 'uniquely Scottish' approach to modern apprentices" and "imposes an unnecessary financial burden on employers". Launching its own [consultation](#), the Scottish Government is exploring options on the use of the Levy in Scotland, with the help of the recently formed [Scottish Apprenticeship Advisory Board](#) (SAAB).

### **Scottish Government's review of enterprise and skills agencies**

Potential topics for discussion:

- the number of schemes and providers of skills provision in Scotland and the risk of duplication for individuals and businesses.
- in anticipation of the report of the end-to-end review, what the current links are between SDS, enterprise agencies, education providers, and the Scottish Funding Council.

During [a speech on 25 May 2016](#) the First Minister announced an "end-to-end review of the roles, responsibilities and relationships of our enterprise, development and skills agencies, covering the full functions of Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council". The review will report recommendations in late September 2016.

In its [submission to the Review](#), SCDI states:

"The skills landscape is regularly described as cluttered with many bodies involved. Many of them are doing very good work, but there is some duplication and confusion among users, and some interventions lack scale. Feedback on Skills Development Scotland (SDS) often reflects this wider point. SCDI members report very positively on a number of SDS's services, such as the delivery and development of the apprenticeship programme, support for digital skills and the My World of Work online careers service."

### **Employability Fund and Devolution of the Work Programme**

Potential topics for discussion:

- the funding criteria for the Employability Fund and the measurement of outcomes for programmes funded through the fund.
- the planned devolution of work programme schemes and possible risks and benefits of SDS providing such schemes during the transitional year and in the longer term.

#### *Employability Fund*

The [Employability Fund](#), established in 2013, is administered and managed by SDS. It is delivered in partnership with 'local employability partners', including colleges, third sector organisations and private sector training companies. Employability support through the Fund includes:

- core skills development, personal and life skills
- work experience
- vocational training linked to the local labour market
- industry specific qualifications

Broad eligibility is for people who have been unemployed for 13 weeks and those under threat of redundancy. The majority of the Fund, administered by SDS, is delivered by a range of organisations under contract to SDS and payments are made to training providers when a participant starts on a programme and again when participants achieve certain outputs or outcomes.

### *Devolution of the Work Programme*

The devolution of powers related to contracted employment support is included in Part 3 (Welfare Benefits and Employment Support) of the Scotland Act 2016. From April 2017 the Scottish Parliament will have powers over employment support schemes which assist those at risk of becoming long-term unemployed or help disabled people into work many of whose participants will be in receipt of either JSA or ESA.

At present employment support across the UK is provided through the [Work Programme](#) and [Work Choice](#). Programme spend in Scotland on current contracts is estimated at £53m. Contracts will come to an end in March 2017 and the UK replacement programmes are on a much smaller scale. This means that the Scottish Government will receive much less funding for employment support than it had previously been expecting. Funding transferred due to devolution of these powers is expected to be around £7m for 2017-18, rising to £13m in 2020-21 (See SPICe briefing on [New Social Security Powers](#)).

Financial year 2017-18 is considered a [transitional period](#) between current Work Programme/Work Choice provision and newly designed Scotland provision. Transitional arrangements for 2017-18 are:

- Replace Work Choice with a one year contract between Scottish Ministers and current third sector providers of Work Choice in Scotland, investing up to £20m to support unemployed disabled people into work.
- Ask Skills Development Scotland to use the mechanisms currently in place for the Employability Fund to deliver a new employability service for vulnerable clients at risk of long term unemployment who want to enter work.

The Scottish Government intends to work with stakeholders to redesign “a more enduring approach” to employability support from April 2018. This will involve “a programme of integration and alignment of existing employability services” ([Employability in Scotland](#), March 2016). A consultation on how new services will look was held between July and October 2015. The Scottish Government’s response: [Creating a Fairer Scotland](#) was published in March 2016.

### **Skills of the future**

Potential topics for discussion:

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| <ul style="list-style-type: none"><li>• the role of employers, SDS, education providers and others to identify and deliver skills training for the future.</li><li>• the role of employers, SDS, education providers and others in re-skilling workers.</li></ul> |
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The World Economic Forum recently quoted “a popular estimate” that 65% of children entering primary school today will “ultimately end up working in completely new job types that don’t yet exist” ([World Economic Forum 2016](#)). How the Scottish economy prepares for

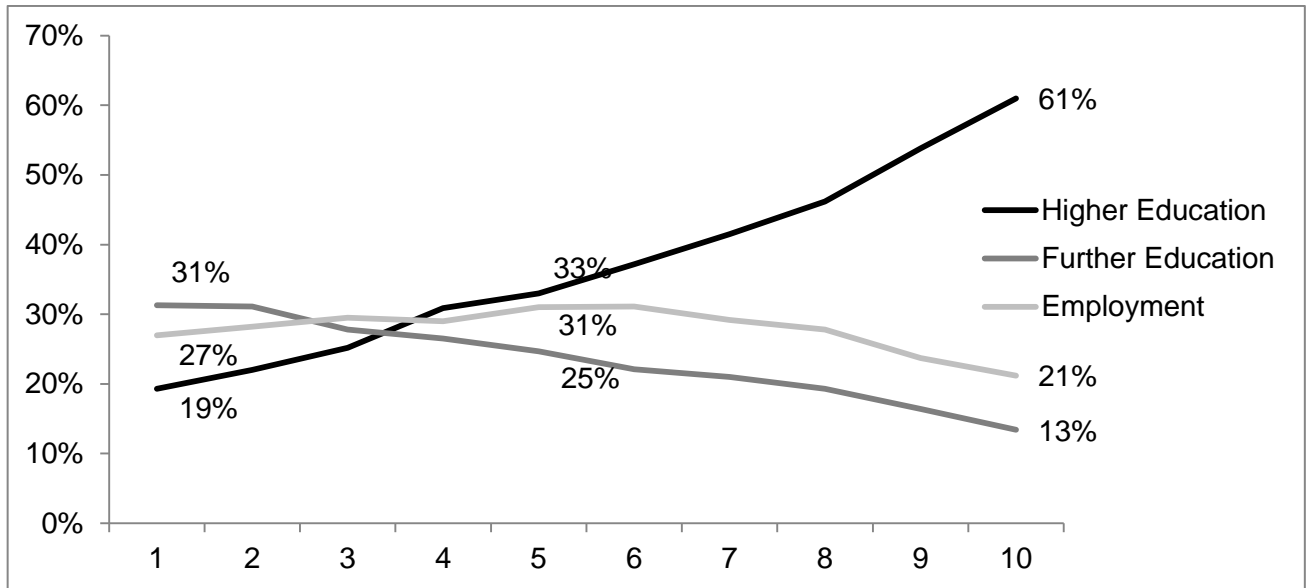
future skills challenges and increased digitalisation is discussed in SCDI's 2015 report, [From Fragile to Agile](#), as well as in its [submission to the current Scottish Government's review](#). SCDI provides some answers to the question "how can Scotland urgently address the opportunities and challenges of digitalisation?"

"At a national level, there is a need to focus on initiatives of scale in key areas such as digital and Science, Engineering, Technology and Maths skills. There are particularly critical needs to supply graduate level skills into the digital sector and to work with all businesses to improve their digital maturity. This will involve equipping young people with digital skills through education, skills and training programmes, and, as importantly, enhancing the digital skills of people at all levels and in all sectors of employment and their ability to utilise them effectively. There are particular challenges in rural areas, including key sectors such as tourism."

The Scottish Government's [Labour Market Strategy](#) (published on the 26<sup>th</sup> August) confirms the role of [Skills Investment Plans and Regional Skill Assessments](#) in ensuring the provision of skills and training is "geared towards the current and future needs of employers" (p. 33).

## ANNEXE A

**Chart 1: Percentage of school leavers going to higher education, further education or employment, by SIMD decile, 2014/15**



Source: Scottish Government [Attainment Statistics 2014/15](#)

## ANNEXE B

**Table 1: Scotland-domicile entrants from deprived areas to higher education by institution type, 2005-06 to 2014-15**

Type of Institution	Percentage of higher education entrants from 20 per cent most deprived areas									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Colleges	21.7%	21.8%	21.8%	21.7%	22.6%	22.3%	22.4%	22.8%	22.5%	23.0%
Ancient Universities	7.6%	7.7%	7.3%	7.8%	7.6%	7.9%	7.4%	8.2%	8.8%	8.4%
Newer Universities	11.7%	11.7%	11.1%	11.0%	11.1%	11.2%	10.7%	11.1%	11.9%	12.1%
Post-92 HEIs	14.4%	14.6%	14.8%	14.7%	14.6%	14.8%	13.9%	15.3%	15.0%	14.7%
Specialised HEIs	7.7%	6.5%	7.5%	6.6%	7.9%	7.2%	8.6%	7.4%	10.8%	11.7%
The Open University	13.2%	13.7%	13.2%	14.0%	14.0%	14.7%	14.7%	15.4%	14.7%	13.9%
Universities outside Scotland	6.8%	6.3%	6.9%	7.4%	7.0%	9.0%	7.5%	5.8%	7.1%	7.0%
<b>All institutions</b>	<b>15.0%</b>	<b>15.0%</b>	<b>14.8%</b>	<b>14.9%</b>	<b>15.1%</b>	<b>15.4%</b>	<b>15.1%</b>	<b>15.8%</b>	<b>15.9%</b>	<b>16.0%</b>

Source: Scottish Funding Council (Table 25b)