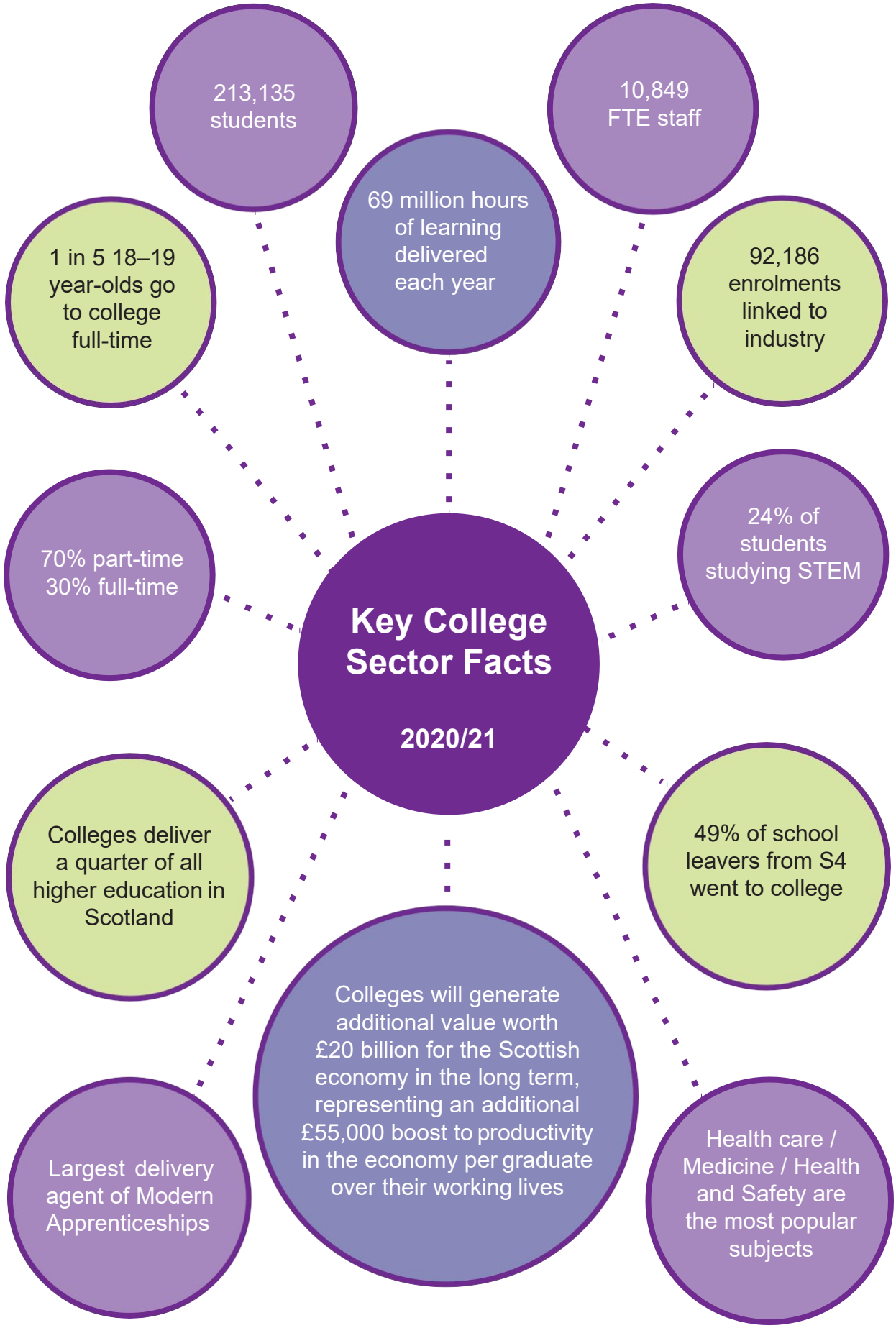
Colleges Scotland

Draft Budget 2023/24

When Colleges Thrive, Scotland Thrives


Key College Sector Facts
2020/21
213,135 students
10,849 FTE staff
69 million hours of learning delivered each year
1 in 5 18–19 year-olds go to college full-time
92,186 enrolments linked to industry
70% part-time 30% full-time
24% of students studying STEM
Colleges deliver a quarter of all higher education in Scotland
49% of school leavers from S4 went to college
Colleges will generate additional value worth £20 billion for the Scottish economy in the long term, representing an additional £55,000 boost to productivity in the economy per graduate over their working lives
Largest delivery agent of Modern Apprenticeships
Health care / Medicine / Health and Safety are the most popular subjects

Executive Summary

Colleges are the powerhouses of Scotland's economy. Our skilled graduates contribute billions to Scotland's economy each year, across hugely diverse industries, in every community. Investment will deliver significant gains for Scotland as a nation, and allow colleges to support students at every stage of their learning journey, as new qualifications, upskilling, re-training, or as part of their school experience.

Colleges Scotland recognises the precarious financial position of Scotland and the UK as the after effects of the Covid-19 pandemic, turbulent macro-economic conditions with high inflation, and now a cost of living crisis, all impacting the fiscal position for the education and skills sector.

However, a lack of investment will harm the chances of Scotland's children and families, and will result the significant problems in health and social care, in hospitality, in digital, and in tackling the climate emergency becoming even more challenging in the future if the skilled workforce is not in place. Inadequate resources will also damage learners of all ages, impact negatively the delivery of a fairer, greener economy, and reduce Scotland's ability to innovate. In short, Scotland will miss out without an adequately resourced college sector. It will be harder for our country to thrive.

Our Revenue ask for £674.5million, excluding student support, will allow for Scotland's colleges to deliver learning and teaching for 2023/24 and support our students with adequate funding which can deliver support services, such as mental health. For capital, and to allow our students and staff to learn and work in suitable environments, colleges require £25million in lifecycle maintenance from 2023/24 onwards. And the backlog maintenance for the sector is £250million, the costs required to bring the college estate up to the baseline condition of wind and watertight, the minimum our students and staff should expect from their learning and working environment. We are also highlighting in this Submission that colleges in Scotland require replacement infrastructure – a meaningful, long term investment into the future of the sector – of £525million.

Signed by

Angus Campbell, Chair of the College Sector Finances Committee, Further Education Regional Lead, University of the Highlands and Islands

Audrey Cumberford MBE, Chair of the College Principals Group, Principal of Edinburgh College

Dr Waiyin Hatton, Chair of Colleges Scotland, Chair of West College Scotland

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Draft Budget 2023/24 Submission – October 2022

When Colleges Thrive, Scotland Thrives

Investment will deliver significant gains for Scotland as a nation, and the Scottish Government's three priorities:

- to secure a stronger, fairer, greener economy, in line with the National Strategy for Economic Transformation
- to support progress towards meeting child poverty targets
- to address climate change.

Lack of investment will harm the chances of Scotland's children and families, and will result in the conditions where addressing climate change becomes very challenging if the workforce is not in place. Inadequate resources will also damage learners of all ages, impact negatively the delivery of a fairer, greener economy, and reduce Scotland's ability to innovate. In short, Scotland will miss out without an adequately resourced college sector.

Investment in colleges will allow the sector to help the Scottish Government deliver its agenda by continuing to:

- support the National Outcomes of the National Performance Framework
- deliver on the National Strategy for Economic Transformation (NSET)
- assist those furthest from the labour market
- be the key provider of the skilled workforce
- support the Just Transition to Net Zero and deal with the skills emergencies
- develop partnerships with industry, Innovation Centres, schools and community stakeholders
- be recognised as civic anchors within their place and communities
- address the poverty-related attainment gap
- provide lifelong learning opportunities and work based learning
- allow colleges to be committed to Fair Work and to building equality.

Leading a Solutions Driven Approach

Colleges Scotland is committed to working in partnership with the Scottish Government and other key stakeholders to identify a collaborative route through the current challenges. On behalf of the college sector, Colleges Scotland has submitted ideas around potential solutions in the following submissions:

- Programme for Government – July 2022
- Portfolio Asks – August 2022
- Art of the Possible – August 2022
- Future Technologies Partnership – August 2022

In addition, Colleges Scotland is currently working with the Chairs and Principals, as the senior leaders of the sector, on a workstream entitled 'Think the Unthinkable', in order to identify potential solutions within the current landscape, in order to find a suitable path through the current challenges we are all facing. Colleges Scotland will continue to engage with Scottish Ministers and Scottish Government officials on this workstream, sharing the emerging ideas to enable a collective response.

Revenue Requirement

Colleges Scotland, representing the views of Scotland's 26 colleges, sets out a revenue investment position of **£674.5m** for 2023/24 (excluding Student Support and other specific funding streams).

Investment Requirements for Academic Year (AY) NOT including student support	2023/24 £m
Revenue Funding	
Baseline teaching (from 2022/23)	522.0
Sustainable Revenue – inflation	52.7
Pay claims for all staff (note requirement for Transition Fund of £25m per 500 job losses if amount for Pay Claims not provided – further details below table)	72.0
Energy additional costs premium	15.0
Digital Inclusion – provision of laptops and data	7.8
Mental Health and Well-Being Fund	5.0
Total Revenue Request	**674.5**

Important Notes

- Inflation is based on ONS CPI inflation to end September 2022 figure – 10.1%, but this can be revisited to ensure the most appropriate figure at any point in time is used. Investment needs to reflect the real world costs and immediate impact of additional inflationary pressures and uses the most up to ONS inflation figure.
- Energy additional costs premium will assist in providing a safe and warm environment for our staff, students and the communities, and is based on additional budgeted costs for colleges for 2022/23 compared to previous year budget.

2022/23 Pay Claims

As of the date of this submission, the estimated costs related to the Trade Union's pay claims for both lecturer and support staff add an additional estimated **£72m** to the college sector pay bill. This amount would be consolidated going forward.

Clearly, this level of increase cannot be absorbed without significant impact on staff and students, and Colleges Scotland is expecting additional funding from Scottish Government for these pay claims, as set out

by John Swinney, Interim Cabinet Secretary for Finance and Economy, in his emergency statement in the Scottish Parliament in September 2022.

Transition Fund

If the investment set out above in relation to teaching, energy and pay costs is less than our needs, then there will be a need for a Transition Fund. This will allow colleges to pivot to the new landscape and to deal with the job losses, negative impact on learners and the ability of the college sector to support the required economic recovery. The Transition Fund would be required for Voluntary Severance, Compulsory Redundancies, curriculum realignment and geographical and support service reductions that will be a consequence of Scottish Government decisions.

To provide an idea of the scale of the Transition Fund, Voluntary Severance costs for every 500 members of staff lost across the sector would require estimated additional funding of £25m. For 1,000 staff this would cost **£50m**, for 1,500 staff this would cost **£75m.**

Digital Inclusion – provision of laptops and data

The college sector is seeking a funding commitment to allow a 'digital device pack' of appropriate equipment and data connection for each non-school based learner who does not have access to a laptop and/or data.

Meeting this demand would:

- Enable more learners from SIMD10 and SIMD20 postcodes to be able to connect
- Supports people access training or retraining
- Provides equity of access to digital learning.

Through publicly available data, Colleges Scotland has estimated the number of non-school based learners at college who do not have access to a laptop and/or data provision. The investment required from Scottish Government to help deliver the digital device pack approach for the college sector is as follows:

- Cost of standard specification laptop - £400 each
- Cost of 12 months data package - £300 each
- Total cost per learner- £700

Total investment required to ensure all non-school based learners in digital poverty have adequate access to a laptop and data is £7.8m per annum.

Mental Health and Well-Being Fund

It is critical for colleges to support the mental health and well-being of our staff and students, and the pressure of the pandemic has clearly impacted health and well-being for many. Colleges Scotland is seeking investment to enhance learner welfare and to build capacity for colleges to offer additional mental health interventions (other than the additional counsellors currently being funded over a four-year period) to provide wider mental health support within colleges. The demand for this type of support had existed previously and has only grown over recent months and is required to ensure adequate support for our staff and learners and to support the relevant outcomes from the National Planning Framework.

The additional funding of £4.4m received in AY2021/22 was welcomed, but is required as an ongoing funding stream to enable colleges to invest in and build sustainable and robust support for staff and students.

A specific request of **£5m** for 2023/24 is made in order to ensure this key service continues to be available to support both our students and staff.

Innovation

There is a requirement for funding for innovation, to recognise the role of colleges within this landscape. Colleges are critical to supporting a green economic recovery with innovation, excellent education and teaching, skills training, and smart investments. In regard to innovation, investment will strengthen the role that colleges play in regional economies through process and management innovation, especially in regard to Small and Medium Enterprise (SMEs). This would build on the successful utilisation of the previous College Innovation Fund and demonstration of what colleges can deliver.

Further work on these aspects will be required in order to identify specific costs but it is important to recognise the need for these funds to ensure colleges can fulfil their potential in supporting wider Scottish Government ambitions.

Linkage to Policy Levers

This funding should sit alongside a commitment to start moving towards equity of funding between schools, colleges and universities (with a view to make significant progress during the period of the Spending Review), seeking to address the inequity in certain fees and ensuring other appropriate policy levers are in place.

Equity of Funding

The Scottish Parliament Information Centre (SPICe) information document produced for the Education and Young People Committee ahead of its evidence session on Wednesday 5 October 2022 set out the following information:

- Funding per full time equivalent student in 2022/23 for university - £7558
- Funding per full time equivalent student in 2022/23 for college - £5054
- Difference of £2504 per student

College students deserve parity of investment and Colleges Scotland has consistently called for stronger, longer-term funding to help colleges thrive. The gap between college and university funding should be closed as soon as possible. Currently, college funding is to cover the teaching element, but colleges require additional resource to ensure a great student experience, equity of opportunity and to ensure the necessary support for those cohorts of students requiring additional interventions.

Inequity of Fees

SFC is currently funding around 4500 associate degree students where the students spend the first two years at college and final two years at university. The tuition fee for universities is £1820, but the college elements attracts £535 less per student. Again, Colleges Scotland is seeking the redress of this inequity.

Policy Context

Scottish Government should commit to the following to ensure funding and policy decisions are aligned:

- a fundamental review of the Funding Model
- development of an outcomes focused quality regime
- protection of existing resource for the college sector
- seeking additional resource linked to other Scottish Government priorities
- establishing colleges as the primary route for post 16 technical and vocational training provision
- Scottish Government and its agencies acting in an enabling role, rather than directional.

Assumptions

- That the resource required by the college sector as set out in this submission, is taken forward within the appropriate policy context to ensure a combined and coordinated approach.
- These figures do not include Student Support (£137m in SFC final allocation for 2022/23 and for which consideration should be given to increasing this to help deal with the cost of living crisis), baselining of Job Evaluation (currently £56m backdated to September 2018, increasing by £12.3m per year going forward) or NPD costs (£29.3m in Scottish Government budget for 2022/23). For the avoidance of doubt, all these resources are all still required.
- These figures also do not include the funding of College Employers Scotland, the body through which National Bargaining is delivered and implemented by employers in the college sector, which is funded via a separate top-slice arrangement with the SFC.
- That all the suggested mitigations and flexibilities offered by the college sector will be enacted quickly and will be baselined going forward.
- That Scottish Government takes forward discussions around potential funding from other portfolios where the college sector can deliver on government priorities and initiatives, as outlined in the Portfolio Asks document submitted in August 2022.

Infrastructure

Separate investment is required for college estates, which are in a dire state of repair, with students learning in inequitable conditions compared to schools and universities, and to ensure adequate digital infrastructure is provided that will support the modern hybrid learning mode of delivery of learning. There is, in short, no immediate solution to adequate renewal of Scotland's college estate and digital infrastructure as a key part of public sector assets, with hundreds of millions of pounds required to bring buildings up to wind and watertight conditions, with additional funding required to bring the estate upto net zero conditions.

We seek the full support of the Scottish Government to take significant steps during the period of the Spending Review towards delivery of both the financial requirements of the college sector for capital and to identify an appropriate delivery vehicle for the investment.

The table below sets out the needs as reported by individual colleges to a survey conducted in May 2022 by Colleges Scotland.

Infrastructure Categories	**Finance Required £m**
From the survey, the costs required to bring the college estate up to the baseline condition (22 actual cost plus costs for 4 colleges extrapolated)	250
Where a campus / building is life expired, what was the professional valuation undertaken to arrive at a replacement cost.	525
TOTAL	**775**

In addition to the infrastructure categories identified above, colleges will need financial support to:

- Receive lifecycle maintenance costs of approximately £25million per annum from 2023/24 onwards, plus inflationary increases.
- Provide appropriate digital infrastructure.
- Reach the goal of Net Zero, by starting to move colleges towards this goal with better building investment choices and demonstrating to learners the advantage of a net zero environment.

The impacts and lost opportunity costs if there is no sustainable and strategic investment

Without the identified investment set out in this Draft Budget submission for the college sector, to overcome the skills emergency, there are a number of significant risks. These include:

Impact on Learners

Individual learners would have a significantly reduced access to courses, leading to lost opportunity for those furthest from the labour market, and lost chance to gain skills and better themselves through education.

Impact on Communities

The geographical footprint and ability to be part of the fabric of communities would be reduced. There would be a loss of upskilling opportunities and the resultant skills pipeline loss would impact communities and the economy.

Risk of Job Losses

Based on the current funding envelope provided (flat cash going forward) and what are now looking like overly optimistic assumptions used on pay and inflation, colleges estimate 1,000 – 1,500 job losses from the sector over the next five years (from 2022/23 onwards).

Impact on the Scottish Economy

Significant risk of potential investment and opportunities, with Scotland not maximising its economic potential in areas such as green technologies.

The information below starts to set out the scale of just some of the potential technology opportunities that would be missed if adequate investment in the college sector to allow provision of the required high level technical skilled workforce is not delivered by Scottish Government.

- Offshore wind industry – projected investment requirements of **£6.3bn** per year between 2021 and 2035, totalling **£95bn**, is predicated on the requirement for 40,000 jobs over and above those for which there is current capacity. The majority of these roles would be supported by college programmes, and therefore without adequate investment in the college sector starting now, this investment potential is at significant risk, with huge losses to Scotland's economy and future potential in this work area. This is based on 30GW of output for offshore, with an additional 10GW planned for onshore wind generation.

- Hydrogen – Scottish Government itself has projected that the hydrogen economy could support between **10,000 – 40,000 jobs** by 2045, again with the majority at a skills level that would be supported through colleges.

- Transport infrastructure – it is projected that **£9bn** investment by 2026 is planned in Scotland, requiring over **25,000 skilled workforce** to replace those expected to retire or leave the industry in the next five years. The new workforce required will be on top of this amount.

- Energy Efficiency Low Carbon Heat - **£33bn** investment retired across Scotland's homes to meet Net Zero by 2045. By 2030, it is estimated that overall **28,000 jobs** could be created by the shift towards low carbon heating, with net additional jobs of 16,400.

In addition to the above, there are workforce requirements in carbon capture and storage, heat networks and Advanced Manufacture, as well as in existing job training requirements across energy, engineering and construction.

Positive contributions that colleges make to Scotland's society and Scottish Government Policy Priorities

National Performance Framework

Investment in the college sector will ensure that the national public assets and skills, experience and abilities of the college sector can be utilised to help deliver on several of the National Outcomes. These include:

Education
We are well educated, skilled and able to contribute to society

Economy
We have a globally competitive, entrepreneurial, inclusive and sustainable economy

Poverty
We tackle poverty by sharing opportunities, wealth and power more equally

Fair Work and Business
We have thriving and innovative businesses, with quality jobs and fair work for everyone

Without investment in colleges, the Scottish Government ambitions around these key National Outcomes will be negatively impacted and potential lost.

National Strategy for Economic Transformation

Each of the pillars set out in NSET as needed to accelerate the economy of Scotland forward requires a strong and vibrant college sector. Colleges across Scotland currently engage with over 10,000 companies, employers and organisations.

Impact on Economic Transformation

Colleges are, and will continue to be, the powerhouses of the required economic transformation throughout Scotland and are the place where the necessary workforce will be skilled up and this generation and the next are supported into careers, by joining the workforce or continuing their education. Colleges are characterised by an ambition for greater collaboration across the skills and learning landscape, between schools, colleges, universities, and other providers, and outwards with employers, businesses and industry sectors. As civic anchors, the 26 colleges in Scotland play a vital role in the social and community make up of our places, leading to a fairer and more equal society.

Scotland's 26 colleges provide education and skills training to 213,000 students each year, in a mix of full time, part time, in person and remote learning, as well as delivery in partnerships with schools, employers and others. Around 44% of learners have an industry link as part of their course. This allows colleges to contribute to **productive businesses and regions**, and to support **entrepreneurial people and culture.**

Scotland's colleges are the best place for the seeds of recovery to take hold and flourish, with a **recognised culture of delivery** and already holding the expertise and ability to deliver reskilling, upskilling, career improvement and holistic support to people locally and regionally, across the country, ready to take advantage of the emerging **new market opportunities.**

Impacts on Poverty

Amidst the cost-of-living crisis, it is clearer than ever before that colleges, as community anchors, are more than places of learning.

Some recent case studies include:

- Ayrshire College took forward a Connecting Communities approach to encourage engagement in health and wellbeing activities and promote positive mental health. This evidenced significant food poverty within the local community, with the college responding to oversee access to basic food provision.
- Borders College established a Young Talent programme to engage with those young people facing additional disadvantages in making the transition from to college from school, and helping them to develop resilience and overcome barriers relating to food poverty to enable them to fully engage in their learning.
- Forth Valley College identified particular challenges for their care experienced students, with this cohort experiencing disproportionate levels of poverty, In response, the college developed a Time4Me initiative to provide one-to-one mentoring for these students to improve their educational outcomes and experiences.
- Glasgow Kelvin College engaged in the STAY programme to support care experienced students to ensure they remained in college and that their education is not disrupted by poverty-related issues. Due to the success of this initial approach in supporting care experienced learners, the STAY programme has now been expanded to engage with all vulnerable students.

The college sector has the ability to drive and facilitate actions and interventions to create safe spaces and support learners. Colleges, working in partnership as part of multi-agency approaches, are actively mitigating the impact of poverty in all of its forms on students and communities and creating far reaching opportunities for students.

For young people, college is the most popular destination for those from the lowest socio-economic backgrounds – 38% of school leavers from SMID20 move into further education – compared to a figure of 28% of school leavers overall. There has to be a college place waiting for them when they make that choice. Colleges also provide that effective pathway for adults to give them a route to a brighter future out of poverty and gain a qualification which can increase their household income.

Through supporting transitions for students and developing sustainable pathways for individuals out of poverty, colleges are delivering on the Scottish Government pledge to facilitate ‘material improvements in the lives and wellbeing of families across Scotland’.

Addressing Climate Change

Going forward colleges across Scotland will also continue to help Scottish workers, and Scottish apprentices, to keep pace with technological, environmental and labour market changes, to increase workforce and business resilience to future disruption and deliver transitions to a net-zero, low-carbon inclusive format in response to the Climate Emergency.

Colleges are ideally placed to support organisations across Scotland to rebuild businesses and their confidence and to do this with the net zero targets in mind, whilst creating opportunities to develop resource efficient, inclusive and sustainable economic approaches, which help address inequality and poverty.

Given the college sector's extensive networks and unique reach to SMEs, colleges have a key role to play in supporting net-zero related innovation activity in these businesses, whilst driving regional economic developments and recoveries focused around moving towards a net zero economy and simultaneously maximising the opportunities for workers to develop their skills as part of these changes.

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