

29/7/2024

Dear Convener,

Apologies for my non-attendance at the session in June and my delay in responding to your questions.

I have provided some thoughts below.

Post-school reform

In recent years multiple reports have called for the Scottish Government to set out a vision for colleges to assist with progress toward long term financial sustainability. What assessment can be made of the Scottish Government's progress toward this so far?

There have been multiple reviews of the school and post school landscape in Scotland over the last few years. The perception externally is that the Scottish Government has been slow to respond to these many reviews. On 24th June, the Scottish Government finally published a consultation on Post-school education and skills reform legislation. Whilst a new funding model for post-school education is out of scope of the review, the SG have said that the changes proposed will allow a new funding model to be developed. Given the pace of response so far, I remain sceptical that any new funding model will be developed and implemented in this session of parliament.

Budget 2024-25 and allocations and financial sustainability of colleges

**The Fraser of Allander report looks at the benefits of colleges to the Scottish economy. What can be said about the potential impact of cuts to the college budget on the Scottish economy?
What growth areas might the Scottish Government and others want to focus on when looking at where colleges can have the biggest economic impact?**

The Fraser of Allander report examines three aspects of the economic impact of colleges:

- The long-term productivity benefits generated in the economy from upskilling the population, which allows people over their working life to earn higher wages and therefore be more productive;
- The economic activity that is generated in the economy by the goods and services bought by colleges as they operate in the community; and
- The contribution that colleges can and do make to the goals set out by the Scottish Government in their (current) National Strategy for Economic Transformation. In particular, colleges are hugely important in ensuring prosperity and opportunity are present in particular regions of Scotland, and also in provision for particular groups in Scotland who are much more likely to access education and training through colleges.

If funding to colleges is cut, any or all of these aspects of economic impact are likely to be affected: the extent of this will depend on the level of the cuts and exactly how they manifest themselves in service provision.

Of course, as with any area of government spending, the *overall* impact economic will depend on what the government chooses to spend money on instead.

In the report, we draw on research which shows the wage premia return of different levels of qualifications in Scotland. Thinking about the second part of this question, the same research also shows that particular subjects and areas of study can also give larger returns than others, although that research is for the UK level rather than Scotland specifically. More research could be done to dig into these data, and to understand the extent to which the mode of study impacts on the ultimate benefit to the citizen.

Overall, though, it is likely that the college sector could maximise their contribution to economic growth by focussing on skills provision that is required by businesses in their region, through partnership working with businesses. Skills shortages are one of the main limiters to economic growth reported to us by businesses. There are many examples in the sector of this working well, so the Scottish Government may wish to consider how they can encourage such activity.

Student numbers, fair work, redundancies and national bargaining

The latest SFC figures show a move toward part-time study, with FTE numbers down while overall student numbers rise. What could be the implications of a move toward part-time study?

- **Are there potential economic implications?**

It is likely that the shift to more PT study can and should be a part of the sector providing lifelong learning and providing support to people with a diverse range of backgrounds. Given the changes we are seeing in our economy, this is a phenomenon which is likely to continue, and should be encouraged if it is a route to upskill our workforce to ensure it is ready (e.g.) for the energy transition.

Research would show that ongoing investment in skills for people throughout their career is an indicator of higher productivity.

Financial flexibilities

What further financial flexibilities could the Scottish Government and SFC explore with the college sector?

As you have heard through your evidence sessions, there are many flexibilities which the Scottish Funding Council has been discussing for many years, including

multi-year funding settlements and year end flexibilities, along with rationalisation of funding pots (which was also discussed in the Withers review).

However, it is clear that the sector would also like the delivery of post school education reform to ensure a new funding model can be developed as set out in the consultation document published by the Scottish Government recently.

I hope these points are helpful.

Yours,

Mairi

Professor Mairi Spowage

Director

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