The Committee reports to the Finance Committee as follows—

INTRODUCTION

1. We established the following remit for our scrutiny of the Scottish Government’s 2014-15 Draft Budget: to examine, in the context of the National Performance Framework¹—

   • the extent to which relevant public sector providers of training and learning, including further education, are helping to deliver the Scottish Government’s youth employability commitments;

   • whether the funding that is being provided for this purpose is sufficient; and

   • how the policy focus on younger learners is impacting on lifelong learning.

2. We took evidence at three meetings, including from the Cabinet Secretary for Education and Lifelong Learning, Michael Russell. Links to all the written and oral evidence provided are available on our website.²

3. Youth employment and employability is an issue of great concern, which has been subject to considerable parliamentary discussion. For example, it has featured in our previous draft budget reports and in our consideration of the Post-16 Education (Scotland) Bill. The Finance Committee published a report on improving employability in late 2012. Within the limited time available, our report attempts to build on some of this work, rather than to provide a comprehensive evaluation of all the existing youth employability programmes and commitments.

4. The Scottish Government has defined employability as encompassing “all the things that enable people to increase their chances of getting a job, staying in a

¹ The Scottish Government established the outcomes-based national performance framework (NPF) to underpin the delivery of its agenda. The website Scotland Performs presents information showing how Scotland is performing against the range of indicators and targets outlined in the NPF.

² http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/67351.aspx
4. The Scottish Government has defined employability as encompassing “all the things that enable people to increase their chances of getting a job, staying in a job, and progressing further in work”. Relevant policy is contained in the Scottish Government’s separate skills strategy, youth employment strategy and refreshed employability framework. Funding from the Scottish Government for national training programmes and youth employment initiatives is directed primarily to Skills Development Scotland (SDS) and the Scottish Funding Council (SFC). There is a broad range of youth employability programmes and commitments.

5. The remainder of this report is in two parts: the first looks at youth employability in general, the second considers colleges’ specific role.

YOUTH EMPLOYABILITY COMMITMENTS

6. In evidence to the Committee, the Cabinet Secretary made clear his view that the Scottish Government’s investment in training opportunities for young people is working.

7. We asked the Cabinet Secretary to explain the criteria used by the Scottish Government to determine which initiatives are most successful at solving youth unemployment. Mr Russell mentioned various criteria, including the uptake of initiatives by young people and by employers. In this context he referred to the modern apprenticeships programme as being “outstandingly successful, because we meet our target year on year”.

8. The Cabinet Secretary also said “The broad criterion is to look at the youth employment figures and ask, “Is this working?”.

9. Recent labour market statistics published by the Scottish Government show that 53.2% of young people in Scotland are in employment, and around one in five (20.5%) young people in Scotland (aged 16-24) is officially unemployed. We requested from SPICe trend data on comparative rates of youth employment and unemployment in Scotland and the UK. These data are shown in the table below:

<table>
<thead>
<tr>
<th>Youth Unemployment</th>
<th>Youth Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scotland</td>
</tr>
<tr>
<td>July 2008 – June 2009</td>
<td>14.5%</td>
</tr>
<tr>
<td>July 2009 – June 2010</td>
<td>18.2%</td>
</tr>
<tr>
<td>July 2010 – June 2011</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

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3 http://www.scotland.gov.uk/Topics/Education/Employability
4 Including Modern Apprenticeships, the Employability Fund, New College Learning Programme and the Youth Employment Scotland Fund.
9 The official rate of unemployment is a count of those people that are (a) without work, available to start work within the next two weeks and have been actively seeking work or (b) have found a job that will start in the next three months.
10 Source: Scottish Government (Annual Population Survey, ONS) – extract from Table Y6B
| July 2011 – June 2012 | 21.4% | 21.3% | 53.7% | 49.4% |
| July 2012 – June 2013 | 20.5% | 20.7% | 53.2% | 49.7% |

10. The rate of youth employment in Scotland has continually been higher than for the UK as a whole over the past five years. Youth unemployment in Scotland and the UK is far higher than unemployment among the working age population as a whole. Page 56 of the draft budget document notes that only eight out of the 28 EU countries have a lower youth unemployment rate than Scotland.

11. We asked whether youth employability initiatives could realistically lead to large numbers of young people achieving sustainable employment. The Cabinet Secretary said he believed they could “but we need to proselytise for those initiatives everywhere we can, and we need to encourage employers of every size to take them up”.

Conclusions

12. We welcome the efforts being made across the public and private sectors to improve youth employment levels, and acknowledge the impact they are having. However, the rate of youth unemployment still stands at over 20%, which indicates the clear scale of the challenge. Our concern is with measuring progress being made by the Scottish Government and other relevant bodies in reducing this rate.

**We therefore require an analysis of which specific programmes have been most successful at improving youth employability, including short term initiatives and previous initiatives that have now concluded.** In short, we seek better evidence on outcomes, in line with the ethos of the national performance framework.

Opportunities for All

13. Much of the evidence we heard focussed on the Scottish Government’s Opportunities for All (OFA) commitment to offer a place in learning or training to every 16-19 year old who is not currently in employment, education or training.

14. Various opportunities fall under OFA, including staying on at school, national training programmes, university and college courses, Activity Agreements and additional opportunities offered through Inspiring Scotland, Community Jobs Scotland, the Department for Work and Pensions and Jobcentre Plus.

15. Colleges Scotland explained that the OFA offer does not mean, for example, that a young person can do any course they want at college—

> “There must be realism about what the labour market in a particular part of Scotland can deal with when matching a young person with course provision.”

16. The Cabinet Secretary confirmed his satisfaction with the way OFA is being implemented. He stressed that OFA is an offer and that there is no obligation on

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12 For example training for work.
13 Scottish Parliament Education and Culture Committee. *Official Report 1 October 2013, Col 2919*
young people to accept the offer. On the question of whether there was a target for uptake of OFA, the Cabinet Secretary stated—

“My target is 100 per cent. It has to be, because I want everybody to take it up. However, that will not happen, because some young people will not do that. The question is whether we should say to young people, “Either you do this, or—.” I just do not think that that type of society works. I want to encourage young people to do things and to find ways of giving them real excitement at the prospects that lie ahead of them. That is what we are strongly endeavouring to do and what we will go on doing.”¹⁴

17. The Cabinet Secretary confirmed that SDS and other bodies would be given responsibility for engaging those who drop out of, or refuse to take part in, OFA—

“That will probably take some time, but it should happen. We have a small country so the numbers that we are talking about are not enormous.”¹⁵

Not in education, employment or training
18. Despite OFA and other initiatives, we were concerned to note that the number of 16 to 19 year olds not in education, employment or training increased to 33,000 last year¹⁶.

19. We asked the Scottish Funding Council, Colleges Scotland and Skills Development Scotland why the number of people who are not in education, employment or training had increased, given opportunities for all. SDS replied, “We have made reasonable progress in challenging economic circumstances”¹⁷. SFC agreed and added that this may indicate a need “to continue to focus resources on that group and perhaps be more inventive in the future about the kinds of provision that are available”¹⁸.

20. We expect the Post-16 Education (Scotland) Act’s provisions on data sharing will improve the way outcomes for those not in education, employment or training are monitored.

21. When asked how the success of OFA should be measured, SDS referred to its regular reporting to the Scottish Government and SFC noted that it had encouraged colleges to offer more work placements. We would welcome further information from the Scottish Government on how SDS and other relevant delivery bodies report progress.

22. Colleges Scotland said it had no easy answers to the question of how the success of OFA should be measured. It made clear that colleges seek to improve the supply rather than the demand side of the labour market—

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¹⁶ According to the Annual Population Survey, there were 33,000 young people NEET in 2012, compared with 32,000 in 2011.
“It is clear that there is a structural youth unemployment problem, as well as a problem that relates to the economic recession. The labour market has changed over the past decade and young people are finding it more difficult to enter. Colleges cannot change the labour market. All that we can do is try to address the situation by enhancing the adaptability of young people who come through the college system ... One hopes that, when the economy picks up, they will be able to adapt and go into the labour market.”

Conclusions

23. The Scottish Government should explain why, given the OFA offer, there are still 33,000 young people not in education, employment or training. It should also provide a detailed explanation of how all those who drop out of, or refuse to take part in, OFA will be engaged. The response should include an indication of the resources required to provide such support. We note that the Post-16 Education (Scotland) Act contains provisions on information sharing that are intended to help SDS support young people’s involvement in education or training.

24. If a large proportion of the 33,000 young people who are currently not in education, employment or training go on to take up an offer, it is fair to suggest that this would have cost implications. The Scottish Government should therefore confirm that sufficient funding would be available in this event. It should also explain whether there has previously been any underspend of budgets associated with OFA.

25. In evaluating the success of OFA, it is necessary to have information about the number of young people who have taken up an offer to date; the progress they have made; how many completed or dropped out; etc.

26. We welcome all efforts aimed at improving young people’s employability. However, there may be a risk of creating false expectations amongst some young people if their employability skills are improved, but the number of jobs does not increase. While OFA is at an early stage of operation, the Scottish Government should provide further information to demonstrate which types of offer and support have been most successful at improving employment prospects. If certain offers have proven to be significantly more or less successful, the Scottish Government should explain how that information will influence future policy development. We require an explanation of the outcomes that Opportunities for All is expected to deliver, which is more than the numbers who have taken up an offer to date. This will help us to understand better what progress still requires to be made, and who is accountable overall for delivering better outcomes.

Modern Apprenticeships

27. Of the various initiatives discussed in evidence, the modern apprenticeships (MA) programme is one with a relatively long track record. Skills Development Scotland noted that the programme was delivered to 25,000-plus people last year, the vast majority of whom are young people between 16 and 24. SDS said there is

a particular focus on 16-19 year olds and that 12,700 young people went through MA last year, as part of its contribution to Opportunities for All.20

28. SDS considered that the MA programme has a good success rate for sustainability into employment and that it will “build further on it”. The Cabinet Secretary confirmed that funding for 25,000 modern apprenticeships is being extended into 2015-16.

29. SDS’s written evidence welcomed the Scottish Government’s 2014-15 and 2015-16 “budget priority to focus on supporting more of Scotland’s young people into education, training or employment”. It went on to add that its draft budget in 2014-15 is £184m, a decrease of £3m on 2013-14. SDS intends to achieve £16m of “efficiency savings” in 2014-15. Its written evidence shows that, between 2008-09 and 2012-13, it achieved a total of £77.9m of “budget efficiencies”.

Conclusions
30. We welcome the contribution that MAs continue to make to improving youth employment and employability. As funding for the programme is being extended into 2015-16, we call on the Scottish Government to set out the extent to which MAs will reduce the number of young people not in education, employment or training.

31. The Scottish Government’s national performance framework contains sixteen ‘National Outcomes’, including the following: “We realise our full economic potential with more and better employment opportunities for our people”. We welcome that a relevant indicator – to increase the proportion of young people in learning, training or work – shows improvement.21 We are keen to ensure that progress continues to be made in this area. Given SDS’s key role in this, we ask SDS to explain exactly how it will make efficiency savings without this impacting on its core services. The Scottish Government should explain what will happen to the savings realised i.e. whether they will be recycled or retained by SDS.

PART 2: COLLEGES

32. There has been considerable discussion this session, including in our previous draft budget reports, about reductions and subsequent increases to college budgets, and the impact on colleges and students. Similar issues have arisen again this year and are explored in more depth in this section.

33. There are different ways of analysing and comparing this year’s proposed allocation of funding to colleges (e.g. with last year’s allocation, with next year’s plans, or with the spending review baseline). Colleges have also recently been subject to considerable legislative and policy change, which has influenced views on the funding required for the sector. In short, while we are asked to report to the

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20 Skills Development Scotland, written evidence.
21 This indicator measures the proportion of school leavers who are in a positive destination approximately 9 months after leaving school. 89% of school leavers were in positive destinations in 2012/13, compared with 87% the previous year.
Finance Committee on this year’s draft budget, discussions invariably stray into different budget years and into wider issues.

34. With this in mind, we note that the 2014-15 draft budget contains a budget line of £521.7m for net college resource, which is effectively the funding that the Scottish Funding Council will allocate to colleges. Both NUS Scotland and professor Jim Gallacher, for example, welcomed the stability that this allocation and next year’s proposed allocation will provide. Earlier this year Colleges Scotland welcomed additional Scottish Government funding for colleges, which it said would “help give colleges stability over the next two years while they work to successfully complete the reform process.”

In the written evidence it submitted for our draft budget scrutiny, Colleges Scotland said—

“... over the course of the three years of the current Spending Review period, there has been significant shift on final allocation against initial plans constituting a total of £117.5m. This sees an overall funding reduction of £34m over the three years, a substantially improved settlement for the sector compared with the originally proposed £85m reduction in funding in that period.”

35. Other witnesses’ views on the draft budget are contained within the paragraphs below, which discuss broader issues.

36. The Cabinet Secretary stated—

“Throughout the budget, I have placed emphasis on colleges, so I am pleased that we have been able to increase the funding floor from £522 million in 2014-15 to £526 million in 2015-16.”

37. The following table presents cash and real terms revenue budget allocations for colleges across the three financial years 2013-4 to 2015-16—

<table>
<thead>
<tr>
<th></th>
<th>Draft Budget</th>
<th>2013/14 to 2014/15 change</th>
<th>2013/14 to 2015/16 change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013/14</td>
<td>2014/15</td>
<td>2015/16</td>
</tr>
<tr>
<td>Cash terms</td>
<td>£511.7m</td>
<td>£521.7m</td>
<td>£525.7m</td>
</tr>
<tr>
<td>Real terms</td>
<td>£511.7m</td>
<td>£512m</td>
<td>£506.8m</td>
</tr>
</tbody>
</table>

Based on current estimates of inflation for 2014/15 and 2015/16 Using the SPICe inflation tool

38. The Cabinet Secretary said the funding for colleges would allow the Scottish Government to maintain its commitments on student numbers. The Cabinet Secretary also noted that at least 20% of higher education is delivered in colleges and reiterated his commitment to free higher education for all Scotland-domiciled students. Speaking more broadly, the Cabinet Secretary repeated his view that the

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23 Colleges Scotland written evidence.

Scottish Government’s budget reflects UK Government cuts, but went on to say that “we have identified savings where we can and have produced a programme that will continue to protect and enhance education in Scotland”.  

**Impact on lifelong learning**

39. Given the current level of youth unemployment, witnesses welcomed the Scottish Government’s emphasis on younger learners; over 70% of college activity is now targeted on 16-24 year olds. However, concerns were expressed about the impact, or possible impact, of this approach on older, disadvantaged and female learners.

40. Evidence presented by Colleges Scotland shows a drop in student numbers in recent years. This effect has been apparent in all age groups, but is particularly marked for those under 16, and over 60. Professor Jim Gallacher highlighted the link between this drop and the move towards more full-time enrolments. He also pointed out that, from 2010-11 to 2011-12, the percentage of 16-24 olds in college increased, while the percentage in the 60 plus age group fell. The percentage of enrolments in the 25-59 age group remained fairly stable.

41. There are different ways of measuring student numbers in colleges. We have consistently called for a single recognised measure of student numbers to be established, as this would allow a meaningful analysis of trends to be made.

42. Colleges Scotland provided the following table, which shows student head count and full-time equivalents (FTE) from 2008-09 to 2011-12—

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Table 5 – Student Numbers 2008/09 to 2011/12 (most recent figures available)

<table>
<thead>
<tr>
<th>Year</th>
<th>Count</th>
<th>Count</th>
<th>Count</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008-09</td>
<td>2009-10</td>
<td>2010-11</td>
<td>2011-12</td>
</tr>
<tr>
<td>under 16</td>
<td>76,970</td>
<td>68,894</td>
<td>55,053</td>
<td>29,907</td>
</tr>
<tr>
<td>16-18</td>
<td>66,353</td>
<td>65,998</td>
<td>62,475</td>
<td>57,592</td>
</tr>
<tr>
<td>19-24</td>
<td>57,758</td>
<td>57,379</td>
<td>55,264</td>
<td>54,158</td>
</tr>
<tr>
<td>25-59</td>
<td>161,008</td>
<td>143,716</td>
<td>124,888</td>
<td>108,708</td>
</tr>
<tr>
<td>60-64</td>
<td>9,397</td>
<td>7,880</td>
<td>6,283</td>
<td>4,671</td>
</tr>
<tr>
<td>65 &amp; over</td>
<td>12,196</td>
<td>10,268</td>
<td>7,946</td>
<td>5,068</td>
</tr>
<tr>
<td>Overall</td>
<td>383,682</td>
<td>354,135</td>
<td>311,909</td>
<td>260,104</td>
</tr>
<tr>
<td><strong>FTE (all students)</strong></td>
<td><strong>133,149</strong></td>
<td><strong>134,918</strong></td>
<td><strong>134,546</strong></td>
<td><strong>133,199</strong></td>
</tr>
</tbody>
</table>
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Source: SFC Infact database

43. As a result of Scottish Government employability policies, there has been an increase in the number of full-time students, from around 71,000 in 2008-09, to around 81,000 in 2011-12. There has been a recent drop in the number of part-time college students. For example, there were around 198,000 ‘part-time (day

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25 Jayne Baxter, Neil Bibby, Liam McArthur and Liz Smith dissented to the inclusion of this paragraph.


27 Colleges Scotland, written evidence, paragraph 15. Data refer to the period 2008/09 to 2011/12.

28 Professor Jim Gallacher, written evidence, paragraph 2.
release)’ and ‘other part-time day course’ students in 2008-09, which fell to around 115,000 in 2011-12.  

44. Professor Gallacher said the increasing emphasis on full-time places would mean fewer students. He said that colleges’ role in providing part-time work-related education “has changed significantly” and noted that—

“A much higher percentage of older students have also traditionally studied part-time, and the move towards a greater emphasis on full-time provision could have a more significant impact for these students.”

45. In oral evidence, Colleges Scotland said that the refocusing of college activity was also due to funding constraints, and that the prioritisation of young people meant “a price has been paid with regard to lifelong learning and adult learners going into colleges”. Colleges Scotland considered that “we seem to have retreated from colleges’ role in lifelong learning” and added—

“It is curious in a way, because investing in that initial stage of education and training rather assumes that jobs in the economy and in society will remain static in future, and we know that that is not the case. We know that people’s lives change and that the economy changes, and yet we no longer seem to have the capacity in the college system to respond to those changes, when people who have left the labour market as adults need new skills to get back into the market.”

46. Colleges Scotland also made the point that providing older people with access to education is important so that their children have a positive attitude to learning.

47. In discussing student numbers, the Cabinet Secretary again highlighted the Scottish Government’s view that full-time equivalent figures are “the best and safest measure, because all other measures do not compare like with like”. In explaining the reduced number of learners the Cabinet Secretary also noted that the “pattern of learning has changed”. Mr Russell stated that if there was evidence of people who needed additional help “we will try to give that help.”

Impact on other learners

48. Some witnesses considered that there has been a disproportionate impact on older women, as they may have left the labour market to take up caring responsibilities and then sought to retrain and reskill by attending college. Colleges Scotland’s written evidence also said almost two thirds of the 108,707 people aged 25-59 studying at college had no qualifications on entry. The submission continued—

29 SFC Infact database
31 Professor Jim Gallacher, written evidence, paragraph 2.
“For these individuals these courses are one of the only possible ways to improve their skills and earning potential, or be the route into work for the first time. It is essential for adult learners that courses be available on a flexible basis of part-time, day/block release or evening and weekend basis allowing them to fitting study around work or childcare responsibilities.” 35

49. When we discussed this issue in oral evidence, Colleges Scotland added—

“If they [people with no qualifications] cannot get into college... the ability to get the skills to get into the labour market will no longer be there.” 36

50. Colleges Scotland’s written evidence also discussed the impact on adults studying from the most deprived backgrounds—

“While we would emphasise that the proportional fall in numbers [of students] is relatively evenly spread and does not appear to correlate with deprivation levels, it is important to note that more students come from higher deprivation backgrounds, meaning in terms of headcount in those groups, the numbers potentially affected are greater.” 37

51. Overall, Colleges Scotland considered that “the budget is too small and the impact of the cuts on adults has been disproportionately large”. It acknowledged the focus on younger learners and that the Scottish Government had committed extra funding, but argued for more resources for adult provision. 38

The Cabinet Secretary’s response

52. The Cabinet Secretary rejected Colleges Scotland’s suggestion that colleges had retreated from their lifelong learning role. He said that no college regional lead or principal had made that point to him and added—

“All of them are conscious of the need to be aware constantly of the breadth that is required in what they offer, and they want to have that breadth.” 39

53. The Cabinet Secretary also disagreed with the suggestion that the policy emphasis on 16 to 19 year olds meant that part-time students and adult learners were suffering. He highlighted two ways in which he considered that colleges could have “a wider and broader view”. There has been an additional £10 million for women returners (for the academic year 2013-14), and work that has—

“…encouraged charities that work in learning disability to work with colleges and the funding council to find imaginative and ambitious ways to ensure that the reach of colleges to people with learning disabilities is maintained and enhanced.” 40

37 Colleges Scotland written evidence, paragraph 21.
Conclusions
54. We have heard clearly conflicting views about colleges’ ongoing ability to provide for lifelong learning. In particular, the Cabinet Secretary rejected claims made by Colleges Scotland. This makes it difficult for us to gauge the impact on older learners, particularly older, disadvantaged learners.

55. Nevertheless, our concern is that people of working age, where possible, should not be deprived of opportunities for self-development or to contribute to the economy. We therefore welcome the Cabinet Secretary’s offer to try to give help where there is evidence that help is needed and invite Colleges Scotland to provide evidence to the Scottish Government on its expressed view that lifelong learning has been detrimentally affected as a result of Scottish Government spending decisions. If such evidence is provided, the Scottish Government should indicate how it would intend to respond.

Staff cuts

56. According to Colleges Scotland, the number of college staff fell by 3,300 between 2009 and 2013, from 16,900 to 13,600. Some witnesses were concerned about the effect of this reduction and the prospect of more staff being lost in the future.

57. Unison provided various examples of how, in its view, fewer staff (and students) has impacted on further education, for example, by some colleges reporting that they were unable to cope with the demand for bursaries and childcare; and one college having completed only 25% of its applications this year. Unison said that such pressures were stressing and upsetting for college staff who could not cope with the workload.

58. Looking to the longer term, Professor Jim Gallacher warned—

“There is a real danger that we could lose key staff in key areas and significantly weaken the college structure in the process.”

59. In terms of possible future cuts, Professor Gallacher considered that community-based provision could be vulnerable, “it is a soft area, and when colleges look for cuts, there is a danger that that is how they will see community-based education”.

60. Other witnesses provided a different perspective to the recent staffing changes in colleges. The Scottish Funding Council acknowledged that staff had left the system “…but the evidence is that the system is more efficient than it was and is therefore enabled to support greater numbers of students than would have been the case had we not made the reforms”. On a broader note, Skills Development Scotland acknowledged the recent reduction in funding but added,

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41 Colleges Scotland, written evidence. Paragraph 13
“there is still a significant amount of resource available for the colleges to deploy, and they do that very well”.46

Quality of provision
61. In light of the staffing reductions, various witnesses stressed the importance of colleges continuing to provide a quality education. However, Unison considered that this will not always be possible—

“The Government has increased the weighted SUMs targets this year for all colleges. In order to meet them, the colleges are increasing class sizes. The only way that we can teach the numbers that we are being asked to teach, with the weighted SUMs targets, is by not delivering as good an education.”47, 48

62. Colleges Scotland did not go as far as Unison, stating that the “jury is out” on the impact of staff losses on the quality and range of college provision.49 SFC confirmed that quality measures had been included in the outcome agreements that it negotiates with colleges. It noted that colleges have committed to enhance and improve retention rates at the same time as taking forward college reforms.50

The Cabinet Secretary’s response
63. When asked about the recent fall in staff numbers, the Cabinet Secretary noted that colleges, not the Scottish Government, are the employers. He added—

“Colleges decide how they deliver their courses … the right way to decide what is delivered in colleges is not to take an arbitrary figure for staff or the budget, but to focus on the individual needs of individual learners, decide what the appropriate curriculum is to fulfil those needs, and then decide the appropriate place in which those things are delivered.”51

64. Mr Russell said the question of possible future job losses would have to be addressed to colleges themselves. He added that the recent reduction in the number of hours for a full-time course (from 720 hours a year to 640) was the funding council’s decision.

65. The Cabinet Secretary again suggested that he would be willing to respond to any evidence showing that there had been a drop in quality in colleges—

“If the inspection process of colleges indicates problems there, by all means that should be looked at, but I do not see that evidence. I see evidence of colleges that have gone through a process of change and merger and now

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48 The Scottish Funding Council measures college activity by the volume of learning hours delivered. This is called a SUM (a student unit of measurement). One SUM equals 40 hours of learning. SFC funding is weighted to reflect the cost of delivering different subjects and providing for different groups of learners. From this weighting the SFC establishes learning activity targets for colleges. These are called WSUMs.
50 Scottish Parliament Education and Culture Committee. Official Report 1 October 2013, Col 2931
deliver higher than ever quality courses to a very focused range of students.\textsuperscript{52}

66. Education Scotland undertakes independent reviews of the quality of provision in colleges on behalf of the SFC. In 2012/13, it carried out external reviews of five colleges.\textsuperscript{53} While none of these reviews was referred to in evidence, they do contain some comments on quality.\textsuperscript{54}

Conclusions

67. Evidence presented directly to us about the impact of staff reductions on teaching quality was inconsistent and sometimes based on assertion rather than hard evidence. We note the Scottish Government’s view that staffing decisions are for colleges to make. However, it is fair to say that these decisions may be influenced by the spending allocations provided through the draft budget.

68. If teaching quality is being adversely affected by these allocations that is a matter of concern. We therefore welcome the Cabinet Secretary’s letter of guidance to the SFC, which calls for “appropriate quality improvement and assurance processes” to be implemented over the next year.\textsuperscript{55} In this light, we would encourage submission of any substantive evidence in regard to possible deterioration in teaching quality to the SFC. If evidence is provided, we would welcome a further update from the Cabinet Secretary on how such concerns have been addressed. We will keep this issue under review.

Other issues

69. We have noted other warnings in evidence that colleges could lose key staff in key areas and that community-based provision could be vulnerable to future cuts. We therefore invite Colleges Scotland to say whether it considers that colleges are making adequate preparations for future staff cover, bearing in mind proposed funding allocations. We also invite the Scottish Government’s view on whether there is a risk to ongoing community-based provision and, if so, how it expects SFC to respond.

70. We have set out Unison’s concerns about student bursaries and note that NUS Scotland also called for additional investment in student support. It calculated that bursary rates increasing with inflation would require further annual increases of around £2m. In his letter of guidance to the Scottish Funding Council, the

\textsuperscript{52} Scottish Parliament Education and Culture Committee. \textit{Official Report 8 October 2013, Col 2992}
\textsuperscript{53} The SFC and Education Scotland agreed a bespoke approach to external reviews of colleges in 2012/13. The review process was to be narrower in focus than other years in recognition of the “challenges and complexities of the transition period towards full regionalisation within the college sector”.
\textsuperscript{54} For example, the review of Banff and Buchan College noted that “arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders is limited”. In its reviews of both Adam Smith and Stow colleges, Education Scotland noted that, “The effectiveness of... arrangements to maintain and enhance the quality of its provision in relation to retention rates on full-time FE programmes is limited.”
\textsuperscript{55} Cabinet Secretary for Education and Lifelong Learning Letter of Guidance to Scottish Funding Council 21 October 2013. Available at: \url{http://www.sfc.ac.uk/about_the_council/lettersofguidance/letterofguidance.aspx} [Accessed 6 December 2013]
Cabinet Secretary called for college bursaries to be increased by inflation for academic year 2014-15.\(^{56}\) This letter was received after the Cabinet Secretary provided oral evidence.

**Equalities**

71. The Scottish Government has made an explicit commitment to assessing budget decisions for their impact on equality groups. It has done this in order to “be confident that its financial decisions help deliver positive equality outcomes for all in Scotland” and to allow “the experiences of different groups to be actively taken into account to avoid or mitigate particular negative impacts.”\(^ {57}\) The Scottish Government has again published an Equality Budget Statement\(^ {58}\) alongside the draft budget.

72. More broadly, the Scottish Government is required to assess the impact of applying a proposed new or revised policy or practice against the needs mentioned in the equality duty.\(^ {59}\)

73. In our draft budget report last year, we noted that the Scottish Government’s equality statement said that if the “unprecedented restructuring of Scotland's colleges” was “not undertaken carefully” it may impact more on older female students, those with disabilities and those from low income backgrounds. These are exactly the groups that witnesses have expressed concern about in this year’s scrutiny. We therefore asked the Cabinet Secretary whether the Scottish Government had undertaken a full equality impact assessment of the move to prioritise young people at college.

74. In response, the Cabinet Secretary referred to separate evidence provided by the Cabinet Secretary for Finance, Employment and Sustainable Growth to another committee. He subsequently provided the Committee with a link to the Scottish Government’s Equality Statement on the 2014-2015 draft budget.\(^ {60}\)

75. **We note the Cabinet Secretary’s evidence on how additional resources have been provided to some equality groups and that an equality statement has been provided alongside the draft budget. However, we would welcome a response to the specific question of whether the Scottish Government and other relevant bodies undertook full equality impact assessments of the move to prioritise young people at college. We seek evidence that demonstrates how any possible negative impacts identified in these EQIAs were acted upon.** In making these requests, we note that one of the benefits of

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\(^{56}\) Cabinet Secretary for Education and Lifelong Learning Letter of Guidance to Scottish Funding Council 21 October 2013. Available at: [http://www.sfc.ac.uk/about_the_council/lettersofguidance/letterofguidance.aspx](http://www.sfc.ac.uk/about_the_council/lettersofguidance/letterofguidance.aspx) [Accessed 6 December 2013]

\(^{57}\) [http://www.scotland.gov.uk/Topics/People/Equality/18507/13477](http://www.scotland.gov.uk/Topics/People/Equality/18507/13477)

\(^{58}\) [http://www.scotland.gov.uk/Topics/People/Equality/18507/13477](http://www.scotland.gov.uk/Topics/People/Equality/18507/13477)

\(^{59}\) All public sector bodies in Scotland, including the Scottish Government, must have “due regard” to the public sector equality duty. Scottish Ministers have also made regulations placing specific duties on Scottish public authorities to enable better performance of the public sector equality duty.

EQIAs is they can allow negative impacts to be identified and possibly mitigated in advance, rather than after a policy has been implemented.

**College reclassification**

76. Finally, we took some evidence on the Office for National Statistics’ reclassification of Scotland’s incorporated colleges as public sector (central government) bodies.

77. According to the draft budget document\(^{61}\), this decision will have no impact on the level of funding provided for Scotland’s colleges. However, it requires that the full income and expenditure budget for the sector be recorded against departmental expenditure limits. Funding for the sector will continue to be routed through the SFC as cash grant in aid.

78. Professor Gallacher stated that the reclassification will mean that colleges are no longer able to build up and hold reserves, and noted that, “These reserves have in a number of cases helped to preserve financial stability.” He and other witnesses referred to ongoing discussions between the Scottish Government and the college sector that may allow colleges to maintain surpluses through arms length bodies.

The full implications of the ONS’s reclassification of colleges are actively being considered by the Scottish Government and other key bodies. **Given the possible impact on colleges, and the current uncertainty about how this issue will be resolved, we intend to take further evidence on this issue in due course.**

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