

# A new deal for Scotland's colleges

# **A new deal for Scotland's colleges**

**Ben Thomson  
Geoff Mawdsley  
Alison Payne**

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## **i. Executive Summary**

### **Objective**

Building on the work Reform Scotland completed in publishing our report entitled “Power to Learn”, this report looks specifically at the further education sector as it enters a new phase of regionalisation. This report considers what can be done to empower colleges, students and the communities they serve. We believe colleges need a new deal that will see them flourish in the future.

### **Findings**

#### **Legal status of colleges**

In researching this report, it became clear that whilst there may be a perception that colleges are independent organisations, this is not really the case. Indeed, what little autonomy colleges may have is likely to be eroded further under the proposals in the Post-16 Education Bill.

As the Scottish government states on its website “*Overall strategic direction for the sector (colleges) is provided by the Employability, Skills and Lifelong Learning Directorate of the Scottish Government.*”<sup>1</sup> Reform Scotland does not believe that organisations which have their strategic direction set by government can be genuinely independent or autonomous and are effectively quangos. We believe that the present relationship between the government and colleges needs to be rebalanced to make it more equal.

Indeed, as the Griggs report into Further Education notes; “*Within the criteria applied variously by the Office of the Scottish Charity Regulator (OSCR), the Office of National Statistics (ONS), and Her Majesty’s Treasury (HMT), Colleges have been deemed to be public sector bodies.*” In other words, colleges are public sector bodies, arguably quangos. There should be no surprise, then, that the Scottish government wants to have greater control over the membership of college boards. It also makes sense that individual public bodies should not have a huge surplus, hence the decision by the Office for National Statistics to reclassify FE institutions as full public bodies which means that private reserves will be able to be treated as public money and could be clawed back by the Scottish Funding Council.

However, the more important question is whether colleges *should* be public bodies. Reform Scotland believes that the public body status of Scotland’s colleges is inherently unsuitable and that they should be independent charitable organisations contracted by the Scottish government to carry out certain functions on the government’s behalf.

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<sup>1</sup> <http://www.scotland.gov.uk/Topics/Education/UniversitiesColleges/17135>

Such a change would place colleges on a similar footing to universities which do not have the same legal status as colleges. They are considered to be independent charitable organisations, not public bodies, but they provide higher education which is paid for by the taxpayer, with the government acting as a customer commissioning student places and research.

### **FE is not the lesser option**

All too often colleges are viewed as the lesser alternative to university, which is unfair as colleges play a vital role in the economy and society. In our report *Power to Learn*, we outlined the importance of the FE sector in helping social mobility and included a case study of John Wheatley College in Glasgow (soon to be merged with North Glasgow College and Stow College) which has achieved a great deal in one of the most deprived parts of Scotland. Colleges perform a vital role in helping individuals, often from the most deprived backgrounds, acquire vital life and employment skills in addition to providing the vocational and academic qualifications needed to progress.

Colleges are vital not just to more disadvantaged individuals, but to a range of people whether they are less academic, or more interested in vocational studies, or prefer the ethos and environment that a college offers compared to a school or university. Choosing college over university should not be viewed as a lesser choice, just a different choice. After all, it could be argued that going to college and becoming a qualified electrician has far better job and income prospects than going to university and gaining an arts degree. However, it could be argued that colleges themselves, and the careers service, do not do enough to highlight and advertise further education options to a wider range of school leavers.

It is also important to stress that college can also be a vital step towards university for many people, especially those from more disadvantaged backgrounds. If the Scottish government wants to widen participation in universities, it needs to recognise the important role that colleges will play in achieving that goal. It would be useful for the Scottish government to carry out some research, providing evidence on the routes taken into university for individuals at university from more disadvantaged backgrounds, and what proportion first attend college.

## Colleges as a leaver destination

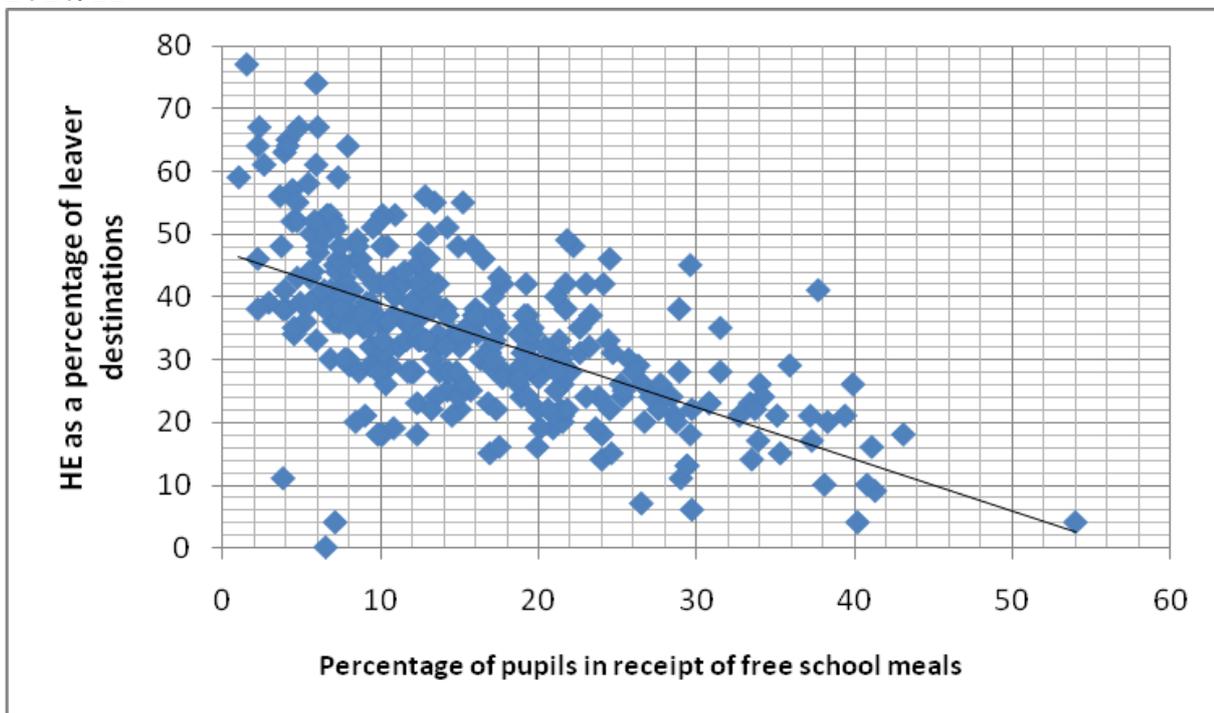
As part of the Scottish government's drive to widen access to university for students from more deprived backgrounds, the SFC has highlighted that only 11% of students attending university in 2011-12 came from the 20% of most deprived areas.<sup>2</sup> In comparison, 24% of students participating in HE at college came from these areas and 28% of students studying FE in college.

Reform Scotland believes that improving access to further and higher education for students from more deprived backgrounds cannot be done without first seeking to improve what happens in school. We have set out how we think this can be achieved both in our own report, Parent Power, and through our work with the Commission on School Reform.

As we believe this link to what happens in schools is vital, Reform Scotland looked at the 2010/11 leaver destinations on Scottish Schools Online for every secondary school in Scotland and compared it with the free school meals figures, which are also published on the website.

What we found was that there was a strong and clear inverse correlation between the level of free school meals in a school and the proportion of leavers going on to higher education. The greater the level of free school meals, the lower the proportion going on to higher education.

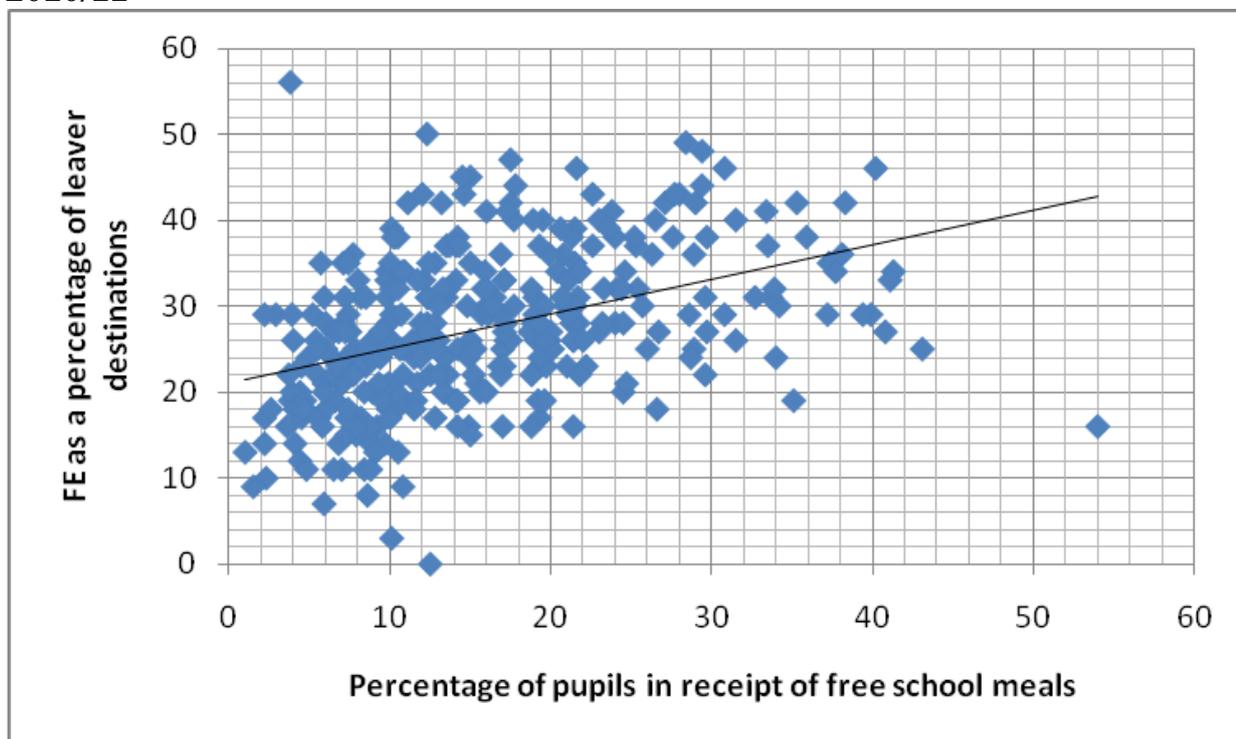
**Graph 1: Correlation between free school meals and HE as a leaver destination 2010/11**



<sup>2</sup> Scottish Funding Council, "Learning for All: seventh update report on measures of success 2013", 2013

What is important to note is the proportion of pupils from poorer backgrounds going on to further education.

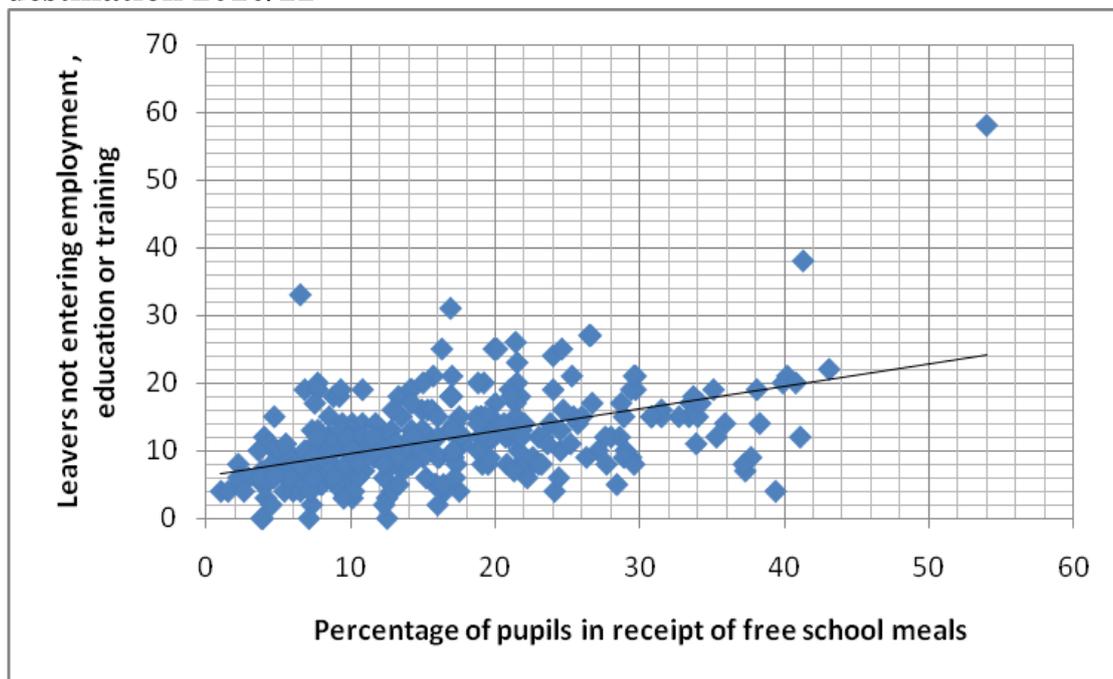
**Graph 2: Correlation between free school meals and FE as a leaver destination 2010/11**



These figures highlight the value and importance of further education to pupils from poorer backgrounds as a way of advancing their education and training – the figures demonstrate that pupils from schools in more disadvantaged areas are more likely to go on to further education than higher education. This is not something that should be viewed as a bad thing, since the positive impact that colleges have in more disadvantaged areas should be welcomed and encouraged.

It is worth noting that there is far less of a correlation between the percentage of pupils in receipt of free school meals and the level of people leaving school and not entering education, employment or training. For example in Aberdeen City local authority area, Northfield Academy, with a free school meal rate of 29.7; Bucksburn Academy, with a free school meal rate of 14.2; and Dyce Academy, with free school meal rate of 6.8, all had a positive leaver destination rate of 81 per cent in 2010/11.

**Graph 3: Correlation between free school meals and no positive leaver destination 2010/11**



### **Unintended consequences**

Although the government's policy of increasing the university participation of people from disadvantaged backgrounds is well-intentioned, there is a danger of unintended consequences. Statistics indicate that school leavers from the most deprived areas of Scotland are far more likely to go to college than university to continue their education whether academically, as a route to moving on to university, or vocationally. Therefore, there is a danger that placing too great an emphasis on university could reinforce the suggestion that college is a lesser choice and diminish the standing of FE vis-a-vis HE. Further, making funding decisions which place greater emphasis on universities to the detriment of colleges could, unintentionally, harm the very people the Scottish government is trying to help.

Indeed, in an open letter to Michael Russell, former college principals Iain Graham and Graeme Hyslop commented<sup>3</sup> *“The reforms will, in our view, cause a radical shift in resourcing post-school education in Scotland from very poor areas to relatively much better off communities. Generations of excluded adults and young people have effectively been failed by our education system and now the communities in which they live are to be deprived of the resources their colleges need.”*

<sup>3</sup> Bews. L, "Education reform criticised by experts", 30/3/13

## **Policy Recommendations**

### **Set colleges free**

In previous reports and bulletins, Reform Scotland has set out our objection to non-departmental public bodies or quangos which, being neither fully part of government nor fully independent, blur accountability. The current colleges structure, especially once the new legislation has been brought in, highlights that colleges are examples of such public bodies. Reform Scotland does not understand why universities should be afforded far greater autonomy and freedom than colleges. We believe that colleges would be better placed to respond to the needs and circumstances of their students and communities if they had greater autonomy, not less.

As a result, we believe that legislation is needed to remove colleges' status as public bodies and enshrine them as fully independent private charities, which would in turn enter into a contractual relationship with government to deliver certain services.

Such a change would not affect the government's ability to provide and direct certain FE services. However, it would give the 13 regional colleges greater autonomy and independence to deliver courses and services in a way which best suits their local communities and students. Diversity is a key factor in ensuring our public services are able to respond to the different priorities and circumstances faced by the people they serve. If too much power resides at the centre, it can be difficult for colleges to develop distinctive and innovative approaches. Increasing the autonomy of colleges is, therefore, essential to allow for diverse solutions to the different situations they face. A one-size-fits-all approach will not work as we are a diverse nation.

If colleges were independent organisations they would be able to achieve charitable status in their own right, as universities do, rather than having to be deemed an exception to charities legislation. Being independent bodies rather than government bodies would also allow them, as charities, to hold a financial surplus and reinvest it as they saw fit.

We also believe that giving colleges the same legal status as universities would encourage more people to view the sectors in an equal light.

It is also worth highlighting that university education is best where universities are most free of government control. This is why the US and the UK dominate the league tables. If anything, universities would benefit from greater independence and what applies to Higher Education should apply to Further Education too.

### **Individual funding entitlement for 16 to 19 year olds to attend school or college**

Reform Scotland's 2009 report Parent Power, recommended that parents or guardians should be given an entitlement equal to the value of the average cost of educating a child in their local authority area which could be used to send their child to any school which costs the same as the entitlement or less.

Building on this recommendation, we believe that when a young person turns 16 and is legally able to leave school, they should be able to use their entitlement to attend school or college. This could allow pupils to attend college to sit traditional school qualifications such as Highers, or to take up vocational studies, or a mixture of both with the money following the student. This would bring benefits to a huge range of students from the most academic to those struggling at school. For example, for some the ethos and environment of a college setting may help them in ways their school was unable to, for others it gives an opportunity to study more Advanced Highers or other academic qualifications which may not be on offer in their school. It also hugely widens the range of vocational and academic options available to individuals.

### **Simplifying funding**

Professor Griggs notes in his report the Weighted Student Unit of Measurement (WSUM) funding system *“has grown now into a multi layered beast that does not operate well for anyone”*.

The Griggs report goes on to recommend that instead each college should be given a set budget in which to achieve a small number of outcomes which meet government policy and aspirations. The report states<sup>4</sup>:

*“Having looked at what the options might be, our recommendation is that The FE sector moves to an outcomes based funding model where each College is given a small number of outcomes which will fulfil Government policy and aspirations and is then allocated a sum of money to deliver those.*

*“However this is achieved there must also be a way of measuring and comparing past with future outcomes or we will be taking away the ability to make comparisons over time which would not be useful or desirable. We believe funding should be in terms of a block sum which the College would then use to deliver the outcomes, and to deliver anything else it judges appropriate to support its strategy and benefit the region.”*

Reform Scotland believes that the current funding system is far from ideal and we believe it needs to change.

Our recommendation about money following 16 to 19-year-olds to the school or college of their choice, referred to above, would change the way part of colleges' income came, as it would follow the student.

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<sup>4</sup> Griggs. R, “Report of the Review of Further Education Governance in Scotland”, Scottish Government, January 2012

For the rest of the colleges' funding, we believe that Professor Griggs' suggestion has much merit if colleges are to become independent organisations contracted by government. On this basis, and following Professor Griggs' suggestion, the Scottish government could, through contractual negotiation, get individual colleges to deliver certain outcomes and assign them a budget to do so. However, it would be vital that any change in funding arrangement did not lead to colleges trying to select only the best students.

### **Skills Development Scotland**

Skills Development Scotland, Scotland's national skills body, is a non-departmental public body or quango. As referred to elsewhere in this report, and in previous reports from Reform Scotland, we believe such organisations are not sufficiently accountable to the Scottish Parliament or the Scottish people and this lack of openness and accountability is not conducive to good governance.

Skills Development Scotland had a budget of just over £202 million in 2010/11<sup>5</sup>. The organisation states that "Government policy is a primary driver of what we do"<sup>6</sup>. Given its work is driven by government policy; we believe that the functions being performed by Skills Development Scotland should be brought back into government.

It may be that some of the organisation's functions would be better done by an independent organisation rather than directly by the government. However, the government could choose either to negotiate with properly autonomous colleges to take on some of these functions on the Scottish government's behalf or, alternatively, part of Skills Development Scotland could become a properly independent body and enter into a contract with the Scottish government to perform such functions.

### **Additional recommendations**

In our 2010 report, Power to Learn, we made some recommendations regarding the FE sector which we would reiterate:

- **Scrap the Scottish Funding Council** – Reform Scotland believes that in the interest of having greater clarity, transparency and accountability in the political process all quangos, with the exception of tribunals, should either become fully independent of government or have their functions transferred to existing government departments. As the Scottish Funding Council is a quango, we believe that it should be scrapped and the functions transferred back to government. This would mean that funding would come directly from government and would, therefore, be more accountable.

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<sup>5</sup> <http://www.scotland.gov.uk/Topics/Government/public-bodies/about/Bodies>

<sup>6</sup> <http://www.skillsdevelopmentscotland.co.uk/about-us/what-we-do/>

- **Make the Scottish Qualifications Authority a fully independent charitable body, with its accreditation arm retained as a full part of the Scottish government** – Currently the SQA is the national accreditation and awarding body in Scotland, including the provision of qualifications to colleges. However, the SQA is not the only provider of qualifications to colleges. City and Guilds, a private company, also provides vocational qualifications along with many others. Vocational qualifications tend to be developed in conjunction with industry, therefore standards remain high otherwise industry would simply not recognise them. There is no requirement for a single state provider of qualifications, especially one which has such a clear conflict of interest since it both accredits and awards qualifications. As a result, Reform Scotland recommends that the SQA should be taken away from government and turned into a fully independent charitable trust. The SQA's accreditation arm would become part of the Scottish government, and would approve awarding bodies (from across the UK) to award qualifications in Scotland and audit awarding bodies to ensure they continue to meet required standards of delivery and quality assurance.
- **Make it a condition of grant that HEIs are willing to take transfer students who have successfully completed HND and/or HNCs into later years of study on a degree course where the subject content is comparable:** Research by the Scottish Funding Council suggests that while post-92 universities are willing to transfer students who have successfully completed a relevant higher national qualification into later years of study on a degree course, ancient and traditional universities are less accommodating. This can lead to students unnecessarily having to undertake up to three years more study, along with the increased costs associated with that. If HEIs are willing to take public money to pay for a student's education, there should be a condition of grant that they are unable to discriminate against such students.

# 1. Background

## 1.1 The FE Sector

Further education colleges can, unfairly, sometimes be simply viewed as the poorer cousin of universities. However, such a misguided view ignores the wide-ranging role colleges play, not just in terms of delivering both vocational and academic qualification, but in helping the Scottish economy to grow by working with employers to develop skills and innovation and in helping social inclusion and community re-generation.

Following regionalisation, there will be 13 regional colleges in Scotland. Colleges provide both higher and further education, covering qualifications from Access courses at SCQF Level 3 through to SCQF level 12(PhD). Courses can range from providing introductory basic skills to advanced courses in highly skilled trades.

Courses offered by colleges can be full-time or part-time and through flexible and distance learning.

Colleges also work with employers, schools and their local communities.

The Scottish government explains the funding and policy direction of the further education sector as follows:<sup>7</sup>

*“The sector is funded by the Scottish Funding Council (SFC), acting on behalf of the Scottish Ministers. Overall strategic direction for the sector is provided by the Employability, Skills and Lifelong Learning Directorate of the Scottish Government. This role is partially exercised through providing annual guidance to the SFC. At the same time, the directorate liaises closely with bodies such as Colleges Scotland, the Scottish Qualifications Authority, other UK government departments, and of course Scotland's colleges themselves to ensure that its policies remain both relevant and practical.”*

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<sup>7</sup> <http://www.scotland.gov.uk/Topics/Education/UniversitiesColleges/17135>

According to the Scottish Funding Council's Facts and Figures 2012:

- In 2010/11 there were 79,463 full-time students attending Scotland's colleges and 235,996 part-time students.
- The qualification aim of students in 2010/11 was:
  - Degree and above – 1,044
  - Award from other professional body – 678
  - Other higher education – 10,490
  - HND or equivalent – 17,992
  - HNC or equivalent – 19,554
  - SVQ, NVQ & GSVQ/GNVQ level 1 to 3 – 25,607
  - Advanced Highers, Highers, Intermediate 2, Intermediate 1 – 50,144
  - National units alone – 28,822
  - All other FE recognised qualifications – 80,241
  - Non-recognised qualifications – 101,922
- In 2009/10 the total income of Scotland's colleges was £749m. Of this, £548 million was a grant from the Scottish Funding Council; £114 was from tuition fees and education contracts; £2m was from research grants and contracts; £2m was from endowment and investment income; and £83m was other income.

The Scottish Funding Council's report, "Learning for All: seventh update report on measures of success 2013" highlights the participation trend at colleges in Scotland (Table 1) and participation broken down by quintile of deprivation (Table 2)

**Table1: Participation rate of Scottish-domiciled students aged 16 or over in Scottish colleges, 2003-04 to 2010-11<sup>8</sup>**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Estimated resident population aged 16+	4,114,700	4,142,800	4,166,200	4,197,000	4,247,151	4,273,501	4,199,815	4,327,016
Total learner headcount in Scotland's colleges aged 16+	329,179	314,605	307,892	312,500	313,165	305,101	283,448	257,944
Participate rate in Scotland's colleges (per thousand population)	80.0	75.9	73.9	74.5	73.7	71.4	65.9	59.6

<sup>8</sup> The SFC report explains the decrease in numbers: "Apart from the slight increase in 2006-07, the participation rate in colleges has continued to decrease since 2003-04. The decrease in the total number of learners in Scottish colleges overall is likely to have contributed to this as has the increase in the resident population, making the learner group a smaller proportion of the population. The shift in movement to full time away from short courses is also likely to have an impact on this change."

**Table 2: Scottish-domiciled students by headcount and by per cent in colleges and universities by level of study and deprivation quintile, 2011-12**

Deprivation quintile	Colleges				HEIs	
	HE level		FE level		HE level	
Least deprived quintile	7,534	17%	24,170	12%	55,407	30%
2 <sup>nd</sup> quintile	7,636	17%	33,963	17%	42,439	24%
Middle quintile	8,628	20%	39,963	20%	35,711	20%
4 <sup>th</sup> quintile	9,762	22%	42,411	22%	27,154	15%
Most deprived quintile	10,468	24%	54,656	28%	20,114	11%
Total	44,028	100%	164,451	100%	178,825	100%
Not known	391		3,537		2,309	

## 1.2 Funding

The Scottish Parliament Information Centre (SPICe) explains the recent history of the college sector as well as the funding arrangement in Scotland in their briefing note on the Post-16 Education (Scotland) Bill<sup>9</sup>:

*“Until 1993, publicly funded colleges were run by local authorities. Under the 1992 Act, most of these colleges were established as incorporated colleges with boards of management. The 1992 Act gave Ministers the power to establish, merge or close these incorporated colleges, and also granted Ministers the power to remove board members in cases of mismanagement.*

*“All incorporated colleges are registered charities; although the legal requirement that charities must not be subject to Ministerial direction does not apply. The Scottish Further and Higher Education Funding Council (SFC) provides the majority of funding to colleges. The SFC was established in 2005 to replace separate funding bodies for colleges and universities, although its statutory role goes further than just providing funding. Bodies eligible for SFC funding are referred to as ‘fundable bodies’. Under the 2005 Act, the SFC has duties to ensure that fundable bodies have accountable officers, a complaints system, arrangements for taking into account student support needs and, when deciding which courses to run, arrangements in place to take account of other provision available. The SFC must also ensure that colleges have suitable provision for governance.*

*“...The exception to this are Shetland and Orkney, which have remained under local authority control and do not have a board of management as set out in the 1992 Act. In addition, Newbattle Abbey and Sabhal Mór Ostaig are not incorporated colleges.”*

<sup>9</sup> Liddell, G & Macpherson, S, “SPICe Briefing: Post-16 Education (Scotland) Bill”, SPICe, January 2013

The briefing goes on to explain the current funding mechanism:

*“Each college receives a large portion of its SFC funding as a grant to deliver a determined volume of student activity. To calculate the volume of student activity, a student unit of measurement (SUM) is used, which is equivalent to 40 hours of student study time. To reflect the cost of delivering different subjects, a set of weightings is applied based on teaching and learning costs associated with specific courses and students. Based on this weighting, colleges have a weighted student unit of measurement (WSUM) applied to calculate the total that they will receive as their teaching grant.”*

Professor Griggs’ Review of Further Education in Scotland reported in January 2012. The review’s remit was to look at how the sector as a whole was managed across Scotland. The report concluded that the current funding method is not the right one for the sector:

*“... everyone we have spoken to, including SFC, agrees that the current model of funding does not lead to good governance. Board members generally cannot understand on their own the impact that changes in the WSUM regime have on their College. The WSUM methodology, like many other things at the time, was put into place quickly in 1992 as the move to the new system of incorporated colleges was done at speed. It was then only a pilot in Fife but was deemed to be an appropriate system to fund the entire sector. At its heart is an assumption that the cost of teaching courses of different type varies and therefore there needed to be a model that reflected that. However it has grown now into a multi layered beast that does not operate well for anyone. Indeed some Principals are even questioning the basis for it in terms of its capacity to reflect the differing cost of courses, saying that this can be accommodated without resorting to this complex structure.*

*“Associated with the funding methodology are the demands that SFC impose on the sector in terms of data gathering to feed the funding organisation. This data collection takes significant time and resource across the sector and we have been unable to see that it yields value which matches that imposition, or contributes to the day to day running of the individual Colleges.*

*“It has also been said to us that SFC apply much more scrutiny to colleges than they do to universities through the funding methodology which applies to that sector. Therefore, again, no one we have spoken to disagrees that we need a new and simpler method of funding for the sector”*

Following the Griggs report, from 2012/13 colleges started producing outcome agreements, specifying what they would provide for the public funding they receive. Guidance issued in January 2012 asked that these: *“set realistic but challenging targets on both restructuring and delivery”*.<sup>10</sup>

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<sup>10</sup> Kidner, C, “Draft Budget 2013/14: Further Education”, SPICe, 31 October 2012

The following tables are taken from Annexes G and H of the Griggs report and outline background funding statistics for individual colleges in Scotland in 2009/10, including income from sources other than the SFC.

**Table 3: College Reserves 2009/10**

Individual Colleges (2009-10)	Total Income (2009-10) £000	FTE Students	WSUMs	Surplus/Deficit (including restructuring, depreciation of tangible fixed assets at valuation and before tax)	Total Reserves (inc. revaluation, restricted and pension reserve)
Aberdeen College	£40,054	8,436	159,369	£1,222	£40,150
Adam Smith	£36,913	6,784	126,732	£889	£26,196
Angus College	£12,623	2,176	46,512	£54	£8,278
Anniesland College	£15,390	2,711	52,212	£46	£19,012
Ayr College	£16,152	2,814	55,744	£409	£8,121
Banff and Buchan College	£12,383	1,922	38,699	-£4,235	£2,331
Barony College	£5,544	373	11,171	£364	£4,137
Borders College	£12,237	1,457	35,428	£414	£709
Cardonald College	£23,110	3,921	79,629	£2,081	£9,103
Carnegie College	£23,690	2,806	58,754	£337	£1,316
Central College of Commerce	£13,367	3,213	49,408	£533	£10,165
Clydebank College	£17,937	3,085	60,415	£666	-£1,155
Coatbridge College	£13,323	1,832	42,265	£1,100	£12,058
Cumbernauld College	£11,466	1,867	36,465	£188	£622
Dumfries and Galloway	£13,588	1,879	42,939	£743	£7,838
Dundee College	£31,131	5,814	108,293	£412	£17,328
Edinburgh Telford College	£32,267	5,909	119,765	£2,155	£27,345
Elmwood College	£11,226	1,345	31,417	£99	£12,508
Forth Valley	£33,553	5,539	119,115	£3,221	£10,597
GCNS	£16,816	2,412	42,978	£357	£19,924
GMC	£27,843	5,247	108,166	£1,792	£31,938
Inverness College	£16,398	1,821	41,053	-£259	£15,440
James Watt College	£38,113	£7,215	156,020	£550	£10,793
Jewel and Esk Valley College	£18,693	3,447	69,781	£1,388	£12,975
John Wheatley College	£10,942	1,597	39,344	£314	£3,676
Kilmarnock College	£14,918	2,663	54,143	£1,092	£13,597
Langside College	£16,691	3,619	53,285	£613	£3,056
Lews Castle College	£7,077	322	8,067	£109	-£2,389
Moray College	£12,191	1,157	26,975	£134	£12,596
Motherwell College	£31,237	4,614	92,718	£1,994	£21,295
Newbattle Abbey	£1,396	0	-	£93	-£6
North Glasgow College	£14,602	2,490	48,981	£736	£5,177
Oatridge Agricultural College	£6,290	524	14,709	£464	£7,762
Orkney	£4,610	216	4,601	-£170	£0
Perth College	£19,527	1,464	32,262	£206	£13,078
Reid Kerr College	£25,271	4,209	84,557	£989	£8,283
Shetland	£3,790	408	5,677	£314	£0
SMO	£5,293	0	-	£49	£1,001
South Lanarkshire College	£12,320	2,306	45,735	£311	£535
Stevenson College	£26,04	4,765	90,082	£1,970	£19,546
Stow College	£14,316	£2,390	44,873	£535	£3,416
The North Highland College	£13,530	1,360	31,444	-£479	£755
West Lothian College	£13,861	2,481	47,041	£1,046	-£10,179

**Table 4: Grants as a proportion of college income (For reference the total funding council grants as a percentage of income for the sector as a whole is 72.3%<sup>11</sup>)**

Individual Colleges £000s (2009-10)	Total income	SFC recurrent grant	Recurrent Grant as % of Total income	EU Funding (EC grants & Fees from EU students)	EU Funding as % of Total income	Total Funding Council Grants	Total funding council grants as % of Total income
Aberdeen College	£40,054	£24,822	62%	£0	0%	£30,157	75%
Adam Smith	£36,913	£20,958	57%	£0	0%	£27,457	74%
Angus College	£12,623	£7,234	57%	£0	0%	£9,459	75%
Anniesland College	£15,390	£8,382	54%	£6	0%	£12,117	79%
Ayr College	£16,152	£9,389	58%	£0	0%	£12,129	75%
Banff and Buchan College	£12,383	£7,277	59%	£0	0%	£10,081	81%
Barony College	£5,544	£2,264	41%	£3	0.1%	£3,072	55%
Borders College	£12,237	£6,542	53%	£0	0%	£8,985	73%
Cardonald College	£23,110	£12,576	54%	£0	0%	£16,991	74%
Carnegie College	£23,690	£9,432	40%	£32	0.1%	£12,931	55%
Central College of Commerce	£13,367	£7,544	56%	£0	0%	£9,694	73%
Clydebank College	£17,937	£10,396	58%	£0	0%	£13,963	78%
Coatbridge College	£13,323	£6,861	51%	£0	0%	£10,798	81%
Cumbernauld College	£11,466	£6,036	53%	£0	0%	£8,069	70%
Dumfries and Galloway	£13,588	£7,807	57%	£0	0%	£11,205	82%
Dundee College	£31,131	£17,945	58%	£0	0%	£23,361	75%
Edinburgh Telford College	£32,267	£20,009	62%	£0	0%	£24,939	77%
Elmwood College	£11,226	£5,444	48%	£5	0%	£6,867	61%
Forth Valley	£33,553	£19,568	58%	£0	0%	£26,078	78%
GCNS	£16,816	£6,651	40%	£0	0%	£8,607	51%
GMC	£27,843	£15,717	56%	£0	0%	£20,806	75%
Inverness College	£16,398	£7,481	46%	£0	0%	£12,017	73%
James Watt College	£38,113	£27,084	71%	£0	0%	£32,510	85%
Jewel and Esk Valley College	£18,693	£10,443	56%	£0	0%	£14,598	78%
John Wheatley College	£10,942	£6,953	64%	£0	0%	£9,739	89%
Kilmarnock College	£14,918	£9,364	63%	£0	0%	£12,054	81%
Langside College	£16,691	£8,429	51%	£0	0%	£12,548	75%
Lews Castle College	£7,077	£2,318	33%	£0	0%	£4,316	61%
Moray College	£12,191	£4,915	40%	£0	0%	£8,974	74%
Motherwell College	£31,237	£15,227	49%	£0	0%	£20,913	67%
Newbattle Abbey	£1,396	£676	48%	£0	0%	£676	48%
North Glasgow College	£14,602	£8,321	57%	£0	0%	£11,813	81%
Oatridge Agricultural College	£6,290	£2,717	43%	£33	0.5%	£3,269	52%
Orkney	£4,610	£1,320	29%	£0	0%	£2,198	48%
Perth College	£19,527	£6,046	31%	£41	0.2%	£11,292	58%
Reid Kerr College	£25,271	£13,983	55%	£28	0.1%	£18,151	72%
Shetland	£3,790	£1,590	42%	£0	0%	£2,431	64%
SMO	£5,293	£666	13%	£0	0%	£1,278	24%
South Lanarkshire College	£12,320	£7,137	58%	£20	0.2%	£9,333	76%
Stevenson College	£26,048	£14,851	57%	£0	0%	£19,535	75%
Stow College	£14,316	£7,467	52%	£437	3.1%	£11,022	77%
The North Highland College	£13,530	£6,930	51%	£1	0%	£10,465	77%
West Lothian College	£13,861	£7,450	54%	£0	0%	£10,628	77%

<sup>11</sup> Hermansson, K, Keep, E, Lecca, P, Peat, J, Sutton, L & Swales, JK, "Further education, the Scottish labour market and the wider economy", David Hume Institute, October 2012

Funding for Further Education has also been a controversial topic in the press and Scottish Parliament recently.

The FE budget fell by £9.3m in 2012/13. This was initially denied by the Cabinet Secretary Michael Russell, who told Parliament in June 2012 there was no cut, but later apologised in November and confirmed the £9.3m reduction. The budget in 2012/13 was £546m, compared to £555.7m in 2011/12.<sup>12</sup>

On 6 February 2013, John Swinney announced that colleges would receive an additional £10m in 2013-14, followed by a further £51m in 2014-15. However, as the full amount allocated for 2013/14 now stands at £522m, opponents highlighted that colleges still faced falling budgets.<sup>13</sup>

### 1.3 Public bodies – ONS decision

There is a current debate over the decision by the Office for National Statistics (ONS) to classify colleges in the general government sector. This means that, as public bodies, colleges potentially would not be able to keep the income they generate from private sources and either hold it in reserve or reinvest it.

The ONS explained the background to the decision as correcting an error that had occurred in the early 1990s:

*“In October 2010 ONS announced that it had reclassified Further Education Corporations in England and Wales, Sixth Form College Corporations (which only exist in England), Colleges of Further Education in Scotland and Institutions of Further Education in Northern Ireland from the Non-Profit Institutions Serving Households (NPISH) sector, where they had been incorrectly classified since the early 1990s, to the General Government sector.*

*“These reclassifications arose from the discovery of public sector controls over these institutions, sufficient to result in ONS concluding that the public sector had control of these bodies’ general corporate policy.”<sup>14</sup>*

The ONS briefing goes on to explain the government powers which mean that the institutions should be classified as government bodies.

*“...A number of different public sector controls were identified, but one of the most important related to borrowing by Further Education Colleges. In all cases, government consent was required for any Further Education College to borrow. Other*

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<sup>12</sup> Dinwoodie. R, “Russell sorry over college cuts mistake”, Herald, 21/11/12

<sup>13</sup> Peterkin. T, “John Swinney outlines budget plans for Scotland”, Scotsman, 7/2/13

<sup>14</sup> Stokoe.P & Haynes. J, “Reclassification of Further Education Corporations and Sixth Form Colleges in England”, ONS, May 2012

*public sector controls included controls over things like the governance arrangements and the public sector also had the ability to close or merge Further Education Colleges”*

While there has been reported criticism of the decision taken by the ONS<sup>15</sup>, Reform Scotland believes, as the ONS explains, it was only reflecting the framework that colleges work within and the level of government control which exists. Colleges are not private, independent organisations. For example, the Griggs report notes that the only reason colleges currently have charitable status is because a ministerial exemption was made in 2007, otherwise they would fail the independence test.<sup>16</sup>

*“Within the criteria applied variously by the Office of the Scottish Charity Regulator (OSCR), the Office of National Statistics (ONS), and Her Majesty’s Treasury (HMT), Colleges have been deemed to be public sector bodies. Colleges therefore fail to meet one of the standards governing charities in Scotland, namely the ‘independence test’ which provides that, unless an exemption is given, the constitution of a charity must be free of Ministerial control. The reason Colleges enjoy charitable status is the Ministerial exemption which was applied in 2007.”*<sup>17</sup>

The Education Act 2011, passed by Westminster, changed a number of the government powers with regard to colleges and, as a result, further education institutions in England are now classified, like universities, as Non-Profit Serving Institutions Serving Households.

The Act removed the requirement for Further Education Corporations in England and Sixth Form College Corporations to gain the consent of the relevant government body for any borrowing they wish to undertake.

It also removed a number of other public sector controls including the Secretary of State’s right to modify, revoke or replace the instruments and articles of Further Education Corporations in England and the power to do so was given to the colleges themselves.

The right of the Secretary of State to dissolve a Further Education college has also been removed.

The government still has some powers though these are supposed to be limited to situations where an institution is being mismanaged or is performing poorly. In these limited circumstances, the Secretary of State can replace the governing body or give directions to the governors.

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<sup>15</sup> Denholm. A, “Scottish colleges 'could lose millions of pounds in law change””, The Herald, 14/5/13

<sup>16</sup> Griggs. R, “Report of the Review of Further Education Governance in Scotland”, Scottish Government, January 2012

<sup>17</sup> Griggs. R, “Report of the Review of Further Education Governance in Scotland”, Scottish Government, January 2012

Arguably, while legislation was introduced in England to lessen government control of the Further Education sector, the Post-16 Education Bill proposed for Scotland is increasing government control.

It is, therefore, unlikely within the current legislative framework that colleges in Scotland can be considered anything other than government bodies.

However, that is not the fault of the ONS, which is simply reflecting legislation, but of the legislative framework within which colleges operate.

Reform Scotland cannot understand why colleges in Scotland shouldn't be afforded, at the very least, the same freedoms as those operating in England.

## **1.4 Skills Development Scotland**

Skills Development Scotland is a Scottish government non-departmental public body formed in 2008 to act as the national skills body. It had a budget of just over £202 million in 2010/11<sup>18</sup>.

SDS works with colleges to deliver training opportunities through a number of schemes including:

Modern Apprenticeships: Modern Apprenticeships are recognised government training programmes that provide vocational training relevant to an individual's current employment and the chance to gain valuable industry recognition. They are offered to anyone 16 or older in paid employment and they need to continue to receive a wage from their employer from the start of their training, though the minimum wage for Modern Apprenticeships who are under 19 or in their first year is £2.65 per hour. (As a comparison the current minimum wage rates for under 18s is £3.68, 18-20 is £4.98 and over 21s is £6.19, though all rates will increase from October 2013.)<sup>19</sup>

There are over 70 Modern Apprenticeships available in a number of sectors, with the format of training decided by the appropriate vocational qualification for that sector. Apprenticeships usually last between three and four years after which participants receive a nationally recognised qualification.

The cost of training is met by a contribution from Skills Development Scotland and the employer. However, if the Modern Apprentice is 25 or over the employer may have to pay for the cost of training, depending on the sector and Modern Apprenticeship selected.<sup>20</sup>

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<sup>18</sup> <http://www.scotland.gov.uk/Topics/Government/public-bodies/about/Bodies>

<sup>19</sup> <https://www.gov.uk/national-minimum-wage-rates>

<sup>20</sup> <http://www.myworldofwork.co.uk/faqs-for-parents-on-modern-apprenticeships>

Colleges contract directly with SDS to provide around 11% of Modern Apprenticeships. In addition, a number of colleges are sub-contractors to private training providers to deliver some elements of the modern apprenticeship.<sup>21</sup>

New College Learning Programme: The programme was developed and funded by the SDS and is delivered by colleges. The focus is to ensure young people seeking employment have the skills and experience required by employers and combines work experience with an employer and time in College developing employability skills. The programme is targeted primarily on 16-24 year olds not in full time employment.<sup>22</sup>

Employability Fund: The Employability Fund brings together a number of national training programmes and aims to provide flexible training support which responds to the needs of employers and local labour markets. The fund is delivered in partnership with a number of training providers, including colleges and provides more than 17,000 places for people in Scotland.<sup>23</sup>

Individual Learning Accounts: Individual Learning Accounts (ILAs) are administered by SDS and are for people who are 16 or over and live in Scotland. Individuals can apply for an ILA if they do not have a degree or above, are not undertaking any secondary, further or higher education, training through the Employability Fund or Modern Apprenticeship, or participating on the Community Jobs Scotland programme. Participants must also have an income of £22,000 a year or less, or be on benefits to be eligible to get up to £200 towards the costs of learning or training. Colleges are among many institutions which are classed as ILA learning providers, others including universities and private training companies.<sup>24</sup>

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<sup>21</sup> Kidner. C, "Draft Budget 2013/14: Further Education", SPICe, 31 October 2012

<sup>22</sup> [http://www.providercentral.org.uk/OurServices/NationalTrainingProgrammes/New\\_College\\_Learning\\_Programme.aspx](http://www.providercentral.org.uk/OurServices/NationalTrainingProgrammes/New_College_Learning_Programme.aspx)

<sup>23</sup> <http://www.skillsdevelopmentscotland.co.uk/our-services/employability-fund/>

<sup>24</sup> <http://www.myworldofwork.co.uk/content/ila-scotland-funding-for-you>

## 2. Impact of the sector

### 2.1 Impact on the economy

In October 2012, the David Hume Institute published a report which was commissioned by Colleges Scotland and looked at the impact the Further Education sector had on the Scottish labour market and economy.<sup>25</sup> The report highlighted a number of the benefits of the sector including:

- Further Education caters for a far more diverse group of people – by age, ethnicity and level of deprivation than Higher Education. As the report highlights, this is valuable not just in terms of helping achieve skill developments for all, but in helping reduce disparities across Scotland.
- Spending per head on education is higher in secondary schools than in Further Education and considerably higher for Higher Education, as illustrated in Table 5.

**Table 5: Spending per head and total spend on education sub-sectors 2009/10<sup>26</sup>**

Sub-sector	'Spend' per head (£)	Total 'Spend' £m
Pre-primary	3,438	316
Primary	4,901	1,790
Secondary	6,562	1,975
FE funding from SFC	5,281	749
HE funding from SFC	12,381	2,783

- Although 73.2% of colleges' income derives from the SFC grant compared to only 39% for higher education in 2009/10, as the report highlights, this does not take account of research grants. The report comments "*Additionally the HE sector earns 21.2% of its total income from research compared with only 0.3% for FE. This is unsurprising given the differing nature of the two types of institutions. This large research element to HE income suggests that the public funding figure for the HEIs may be underestimated as much of this research income will be funded through research councils which themselves are funded from public money.*"

While not all research grants and contracts are public money, it is important to compare like with like when looking at the element of public spending within FE and HE. Research grants account for 0.3% of FE income and 21.2% of HE income, meaning that public funding of the two sectors could be closer to 73.4% and 60.2% respectively.

<sup>25</sup> Hermansson. K, Keep. E, Lecca. P, Peat. J, Sutton. L & Swales. JK, "Further education, the Scottish labour market and the wider economy", David Hume Institute, October 2012

<sup>26</sup> Hermansson. K, Keep. E, Lecca. P, Peat. J, Sutton. L & Swales. JK, "Further education, the Scottish labour market and the wider economy", David Hume Institute, October 2012

- Despite the more rigorous entry requirements needed for HE and the more diverse range of students served by FE, there is only a small difference between the percentage of students successfully completing an FE and an HE course, as illustrated in Table 6:

**Table 6: Success of FE and HE students 2010/11 %<sup>27</sup>.**

	Further Education	Higher Education
Successful	62	67
Successfully finished course irrespective of result	73	80
Drop-out rate	27	20
Withdrew before funding qualification date	10	6

- The report calculates that, taken over an eight year period, the enhancement to their skills that colleges impart to their students will contribute £1.2bn to Scotland’s economy, or roughly 1 percent of GDP. The report notes that this is a greater value than the output of the mechanical engineering or transport equipment sectors.

## 2.2 Importance of FE as a leaver destination

As part of the Scottish government’s drive to widen access to university for students from more deprived backgrounds, the SFC has highlighted that only 11% of students attending university in 2011-12 came from the 20% of most deprived areas.<sup>28</sup> In comparison, 24% of students participating in HE at college came from these areas and 28% of students studying FE in college. However, Reform Scotland believes that the choice to attend college should not be viewed as a lesser choice, simply a different choice.

Reform Scotland believes that improving access to further and higher education for students from more deprived backgrounds cannot be done without first seeking to improve what happens in school. We have set out how we think this can be achieved both in our own report, Parent Power, and through our work with the Commission on School Reform.

As we believe this link to what happens in schools is vital, Reform Scotland looked at the 2010/11 leaver destinations on Scottish Schools Online for every secondary school in Scotland and compared it with the free school meals figures, which are also published on the website.

<sup>27</sup> Hermansson. K, Keep. E, Lecca. P, Peat. J, Sutton. L & Swales. JK, “Further education, the Scottish labour market and the wider economy”, David Hume Institute, October 2012

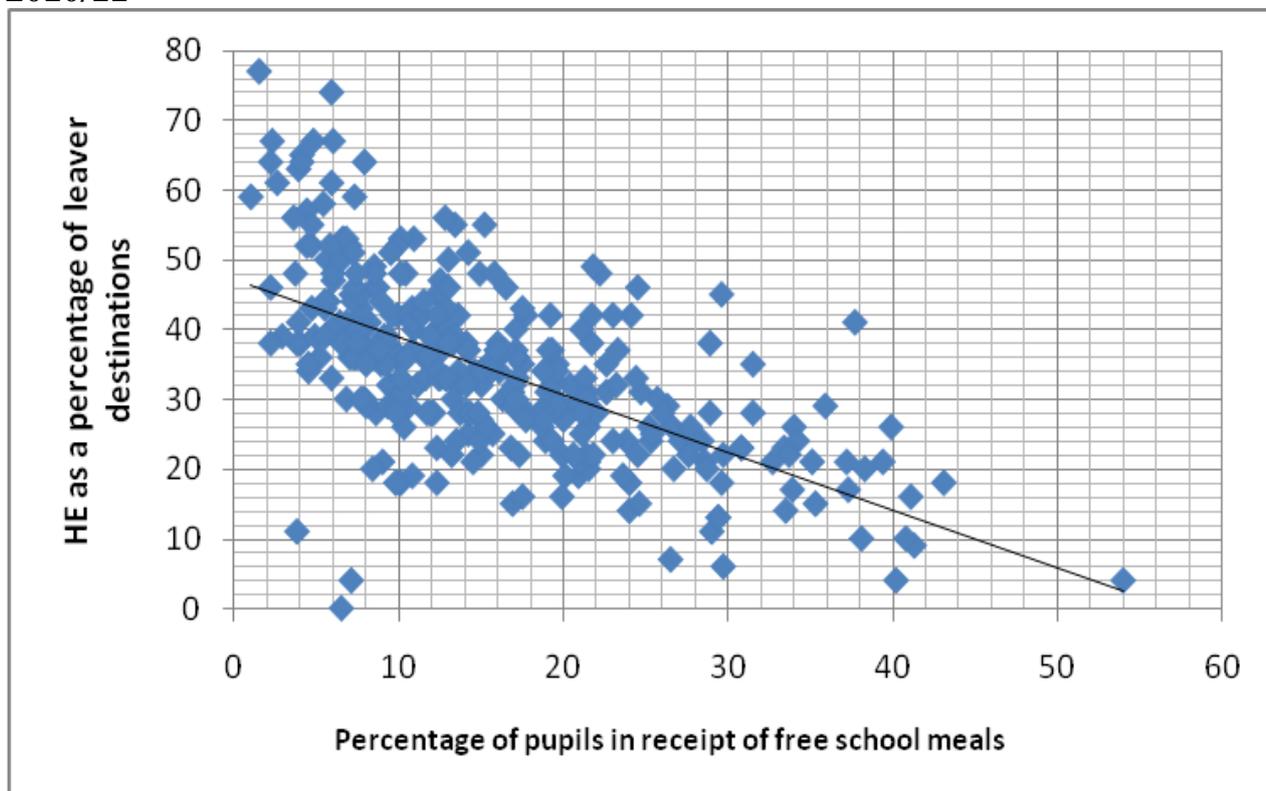
<sup>28</sup> Scottish Funding Council, “Learning for All: seventh update report on measures of success 2013”, 2013

The proportion of children in a school in receipt of free school meals, although not perfect, can be used as a measure of deprivation facing individual schools.

What we found was that there was a strong and clear inverse correlation between the level of free school meals in a school and the proportion of leavers going on to higher education. The greater the level of free school meals, the lower the proportion going on to Higher Education.

This is, unfortunately, unsurprising and backs up the trends outlined in the Scottish Funding Council's Learning for All series.

**Graph 1: Correlation between free school meals and HE as a leaver destination 2010/11**

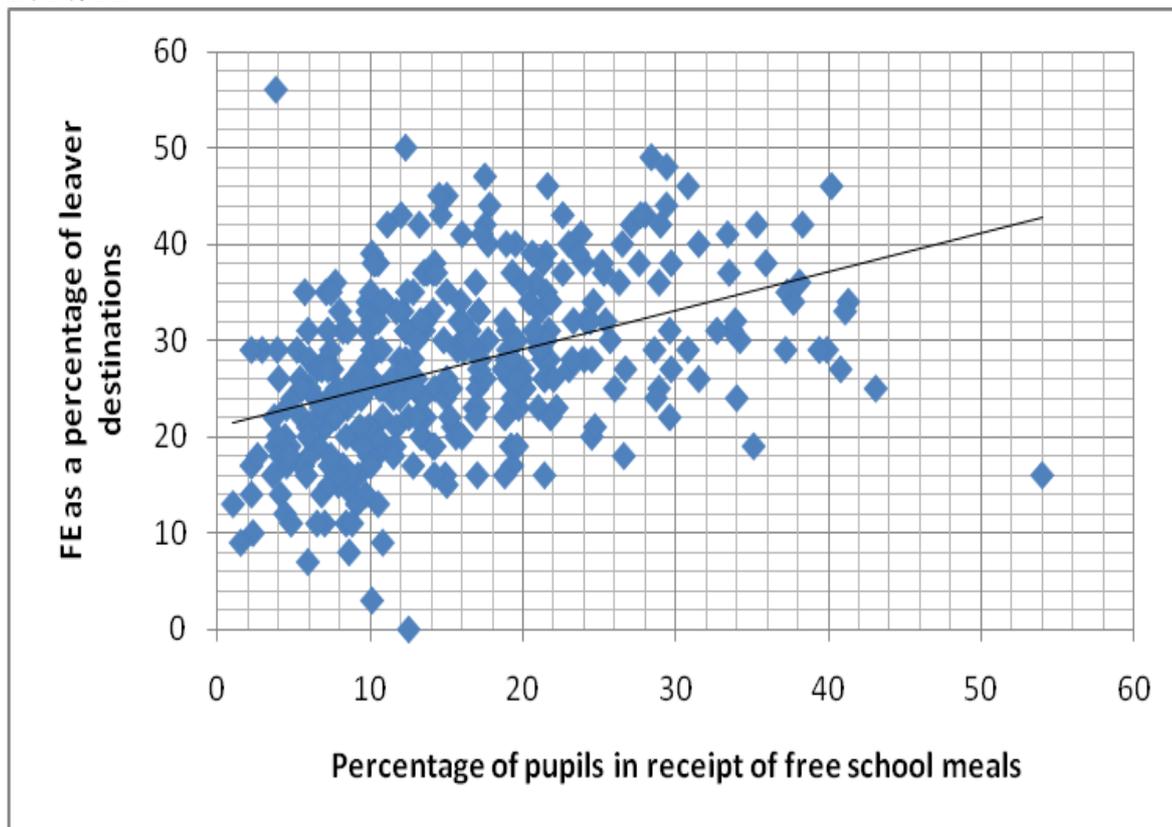


Unfortunately, due to the way the figures are published as HE or FE, rather than university or college, the figures in Graph 1 will include students attending colleges to study Higher Education. This means that the fact that college is the largest single destination for Scottish school leavers<sup>29</sup> is not reflected in these figures. However, we do feel that they are still of interest in highlighting the importance of the sector as a school-leaver destination.

What is important to note is the proportion of pupils from poorer backgrounds going on to further education.

<sup>29</sup> Colleges Scotland, Submission to the 'Consultation on the Commission for Developing Scotland's Young Workforce', April 2013

**Graph 2: Correlation between free school meals and FE as a leaver destination 2010/11**



These figures highlight the value and importance of further education to pupils from poorer backgrounds as a way of advancing their education and training – the figures demonstrate that pupils from schools in more disadvantaged areas are more likely to go on to Further Education than Higher Education. This is not something that should be viewed as a bad thing, since the positive impact that colleges have in more disadvantaged areas should be welcomed and encouraged.

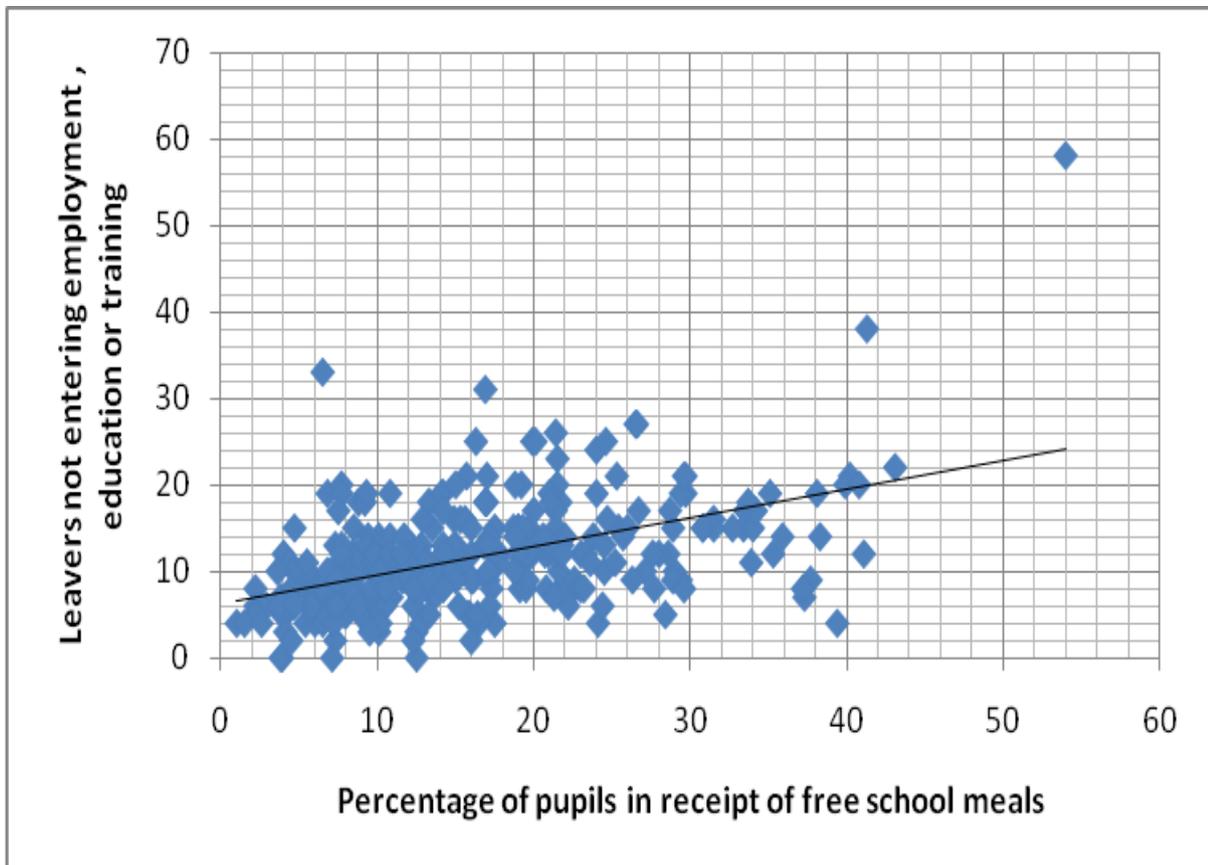
It is worth noting that there is far less of a correlation between the percentage of pupils in receipt of free school meals and the level of people leaving school and not entering education, employment or training. For example, in Aberdeen City local authority area, Northfield Academy, with a free school meal rate of 29.7; Bucksburn Academy, with a free school meal rate of 14.2; and Dyce Academy, with free school meal rate of 6.8; all had a positive leaver destination rate of 81 per cent in 2010/11. It is perhaps worth considering whether those schools which have a low level of deprivation and a high proportion of leavers going on to HE, yet still record 19% of leavers not in employment, education or training are doing enough for less academically gifted pupils. There will be pupils who are more suited to Further Education than Higher Education in all schools, regardless of income. A more prosperous background does not necessarily mean you will be more academic. The government should consider why it is that some schools with lower levels of deprivation and which are sending a high level of pupils to university still have a high level of pupils ending up not in

education, employment or training, and if there is something that colleges could do to help.

Indeed, it is worth considering the following other schools as specific examples:

School	Percentage of pupils in receipt of free school meals	FE as a percentage of leaver destinations	HE as a percentage of leaver destinations	Percentage of positive leaver destinations
Knox Academy	7.7%	16%	42%	80%
The Gordon Schools	8.8%	14%	36%	82%
Uddingston Grammar	9.3%	21%	39%	81%
Castlemilk High School	37.3%	35%	17%	93%
Hillhead High School	37.7%	34%	41%	91%
St Andrew's Secondary	39.4%	29%	21%	96%

**Graph 3: Correlation between free school meals and no positive leaver destination 2010/11**



### 3. Post-16 Education (Scotland) Bill

#### 3.1 The Bill

The Post-16 Education (Scotland) Bill was introduced by the Scottish government in November 2012. The Bill's policy memorandum states that the aim of the reforms "is to make post-16 education more responsive to the needs of learners and employers".

The Bill covers both Higher and Further Education. With specific regard to Further Education, one of the main components of the Bill is the government's vision for the sector to pursue a more regionalised approach, which will lead to mergers of colleges being completed this year so that there will be 13 college regions in Scotland. However, the mergers themselves do not need primary legislation and are already taking place. The legislation provides for two types of incorporated colleges and to establish new regional strategic bodies for colleges in multi-college regions. According to the Bill's policy memorandum, the Scottish government expects to see efficiency savings in the region of £50 million per annum by 2015-16 as a result of regionalisation.

The Bill also proposed to extend the powers of ministers to allow them to appoint the chairs of regional college boards. Previously, all boards appointed their own chair without ministerial involvement. While ministers currently have the powers to remove any incorporated college board members on the basis of mismanagement of the affairs of the board that does not include the College Principal. The Bill sought to give Scottish Ministers power to remove all incorporated college board members from a college board, including the Principal, for reasons of mismanagement.<sup>30</sup> However, amendments passed at Stage 2 have ensured that Principals cannot now be removed by Ministers from Boards.

According to the legislation, regionalisation would allow colleges to be funded on a regional basis as is explained in the policy memorandum

*"... as part of its conditions of grant the SFC would agree an outcome agreement with each regional college or regional strategic body, with the college or board subsequently accountable to the SFC for the delivery of its outcome agreement. In multi-college regions, regional strategic bodies would agree with each college its contribution to the outcome agreements, and would expect colleges to engage in joint strategic planning.*

*"...After a transitional period, the effect of the Bill would be that colleges in multi-college regions would cease to be eligible for funding directly from the SFC and would instead be funded by the relevant regional strategic body."<sup>31</sup>*

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<sup>30</sup> Liddell, G & Macpherson, S, "SPICe Briefing: Post-16 Education (Scotland) Bill", SPICe, January 2013

<sup>31</sup> Scottish Government, 'Post-16 Education (Scotland) Bill: Policy Memorandum', November 2012

As explained in the previous chapter, colleges are classed as government bodies due to the extent of government control over them. This legislation seeks to enhance that control. Reform Scotland disagrees with this direction of travel. However, if it is the intention of the Scottish government to exert greater control, the government needs to be clearer as to why it believes this is necessary, and actually bring colleges under the control of the Education Department and Cabinet Secretary to improve transparency and accountability, rather than having colleges operating in a quango no-man's land.

Alternatively, if it is not the government's intention to stifle the freedom and autonomy of colleges, Reform Scotland believes that the Scottish government could use this legislation to give colleges greater autonomy and, at the very least, give colleges the additional freedoms that were given to their English counterparts which changed their status from government bodies to Non-Profit Institutions Serving Households.

**Table 7: College Regions<sup>32</sup>**

Proposed Structural reform	Region	Current colleges	Staff (FTE in 10/11)	Expenditure (£m in 10/11)
Four regions already contain one college and will be unaffected by mergers	Borders	Borders	208	11.8
	Central	Forth Valley	627	33.9
	Dumfries & Galloway	Dumfries & Galloway	237	13.1
	West Lothian	West Lothian	248	13.1
Single colleges will be created from mergers in five regions	Ayrshire	Ayr	820	45.9
		Kilmarnock		
		James Watt (Kilwinning campus)		
	Edinburgh	Edinburgh's Telford	1,059	77.7
		Jewell & Esk		
		Stevenson		
	Fife	Adam Smith	1,126	61.2
		Carnegie		
		Elmwood (non-land based courses)		
	Tayside	Angus	851	46.2
		Dundee		
	West	Clydebank	1,088	66.2
Reid Kerr				
James Watt (Inverclyde campus)				
Two regions will comprise federations of colleges	Aberdeen & Aberdeenshire	Aberdeen	759	52.5
		Banff & Buchan		
	Lanarkshire	Cumbernauld	1,203	64.9
		Motherwell		
		South Lanarkshire		
		Coatbridge		

<sup>32</sup> Audit Scotland (2012). *Scotland's Colleges: current finances, future challenges*.

Proposed Structural reform	Region	Current colleges	Staff (FTE in 10/11)	Expenditure (£m in 10/11)
The Glasgow region will comprise three colleges formed with mergers which will then act in federation with each other	Glasgow City Centre	City of Glasgow	1,084	103.5
		John Wheatley		
	Glasgow North-East	North Glasgow	636	38.6
		Stow		
	Glasgow South-West	Anniesland	925	54.5
Cardonald				
Total	Langside	2,648	196.6	
One region will comprise the five incorporated colleges and 13 other colleges & institutes that make up the University of the Highlands and Islands	The Highlands and Islands	Inverness	1,261	70.5
		Lews Castle		
		Moray		
		North Highland		
		Perth		

Although this report is focusing on Further Education, it is worth making reference to the “widening access” policy contained in the Bill directed at Higher Education due to its link with the college sector. According to the Policy Memorandum, the purpose of this provision is “to allow Ministers, when providing funding to the SFC, to impose conditions relating to access to higher education institutions for under-represented socio-economic groups.”

Although the government’s policy is well-intentioned, there is a danger of unintended consequences because many students from the most disadvantaged backgrounds who go to university do so by first going to college. This is a point that Neil Findlay MSP made in the Stage 1 debate:

*“A college education changed my life by providing me with the opportunity to enter Higher Education.*

*...What about retention, which is so vital to widening access? How can we talk about widening access when the very students who—like me when I went through the system—are most likely to access higher education through college are at present being denied a college place as part-time places and adult learning provisions are slashed? What relevance does widening access have for them?”<sup>33</sup>*

Statistics indicate that school leavers from the most deprived areas of Scotland are far more likely to go to college than university to continue their education whether academically, and as a route to moving on to university, or vocationally. Therefore, there is a danger that placing too great an emphasis on university could send a message

<sup>33</sup> Scottish Parliament, Official Report, Session 4, 18348-18349, 27 March 2013

that college is a lesser choice and diminish the standing of FE vis-a-vis HE. Further, making funding decisions which place greater emphasis on universities to the detriment of colleges could, unintentionally, harm the very people the Scottish government is trying to help.

If the Scottish government wants to widen participation in universities, it needs to recognise the important role that colleges will play in achieving that goal. It would be useful for the Scottish government to carry out some research looking at the routes taken into university for individuals at university from more disadvantaged backgrounds, and what proportion first attend college.

### **3.2 Reaction to the Bill**

The Stage one report from the Education and Culture Committee report into the Post-16 Education (Scotland) Bill raised a number of concerns. It concluded:

*“The Committee notes that the general principles of the Bill are to: improve governance in higher education; widen access to higher education institutions; improve governance in, and to restructure, further education institutions; set a tuition fees cap; enable the SFC to carry out reviews of fundable further and higher education; and, require relevant bodies to share data with SDS. The Committee supports these broad aims. While the majority of the Committee support the general principles of the Bill a minority of members have concerns about whether the general principles of the Bill would be achieved by this legislation. The Committee has some concern – expressed in the relevant sections of the report – about the specific means by which the Bill would achieve some of these principles. The Committee has asked the Cabinet Secretary for various pieces of information that will provide reassurance on the approach being taken by the Bill”*

During his speech in the stage 1 debate in the Scottish Parliament, the convenor of the committee, Stewart Maxwell, explained with regard to colleges:

*“Specifically, the committee sought clarity on lines of funding and accountability between the two levels of governance. We also wanted to understand how regional boards will meet the needs of students and business without becoming overly bureaucratic or consuming precious resources.”*

Although the Bill seeks to extend the powers of ministers over the sector, it is not exactly clear why it is seeking to do so. Indeed, the Education and Culture Committee’s Stage 1 report on the legislation states:

*“Earlier in this report the Committee criticised the Policy Memorandum for failing to set out the case for the proposed reforms of university governance. The same criticism*

*can be levelled about college governance in that there is very little information provided about why changes require to be made.*”<sup>34</sup>

In evidence to the Scottish Parliament’s education committee some college principals outlined concerns with the Bill, especially with regard to the speed of change. Other concerns related to the increased government control of the college sector which could lead to a possible erosion of accountability and autonomy; as well as a focus on vocational opportunities for 16 to 19 year olds which meant older students and those studying non-vocational part-time courses could suffer.

Mandy Exley, Principal of Edinburgh College, told the Education and Culture Committee “*What we want to be clear about is autonomy to be responsive to what’s needed at a point in time. A level of central planning and diktat can lead to unintended consequences.*”

In an open letter to Michael Russell, former college principals Iain Graham and Graeme Hyslop commented<sup>35</sup> “*The reforms will, in our view, cause a radical shift in resourcing post-school education in Scotland from very poor areas to relatively much better off communities. Generations of excluded adults and young people have effectively been failed by our education system and now the communities in which they live are to be deprived of the resources their colleges need.*”

The NUS also raised the issue of local provision commenting, “*more needs to be done to protect local access to college courses – often, having that course on the doorstep is fundamental in giving people more access to education, whether for the first or second time*”<sup>36</sup>. The example was given of the possible move of Edinburgh College joinery and construction campus from Dalkeith to Granton and, while there are merits in avoiding unnecessary duplication, in some instances that duplication is beneficial and increases accessibility.

However, the Scottish Funding Council reportedly made the point to the Education and Culture Committee that the pre-regionalisation structure of colleges had led to colleges concentrating too much on their local market.

It should be noted that while many organisations and individuals have concerns about aspects of the Bill and its implementation, there would appear to be a general acceptance that regionalisation is to occur and many welcome some of the aims of the Bill<sup>37</sup> – the argument to date appears to be whether those aims are realised by the draft legislation.

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<sup>34</sup> Scottish Parliament, “Education and Culture Committee, 2nd Report, 2013 (Session 4)”, 20 March 2013

<sup>35</sup> Bews, L, “Education reform criticised by experts”, 30/3/13

<sup>36</sup> Scottish Parliament, “Education and Culture Committee, 2nd Report, 2013 (Session 4)”, 20 March 2013

<sup>37</sup> In his Stage 1 debate speech, MSP Colin Beattie said that most educational institutions supported the Bills aims and lists Adam Smith College, Edinburgh College, North Highland College, EUSA and East Dunbarton College amongst others.

## 4. Opportunities for the sector

As discussed in previous chapters, the college sector in Scotland offers a wide range of opportunities to different sections of society from employers to school leavers, and from individuals seeking to retrain to communities as a whole. Whether it is engaging with employers to develop the skills needed by employers or providing a different ethos and environment for those disengaged at school, there is a wide range of opportunities for the sector regardless of the post-16 legislation. While Reform Scotland believes that such initiatives are best delivered by autonomous institutions which can respond effectively and innovatively to the different needs of those they serve, even as government bodies the sector can, and does, innovate.

In January 2013, the Scottish government established the Commission for Developing Scotland's Young Workforce, chaired by Sir Ian Wood. The Commission has been asked to come up with a range of recommendations designed to improve young people's transition into employment. The Commission is expected to publish its interim report in the third quarter of 2013 and final recommendations in the second quarter of 2014.<sup>38</sup>

The Scottish government has outlined that the Commission will develop proposals that:

- enable young people to make the best transition from a broad general education under Curriculum for Excellence into a comprehensive range of opportunities for vocational & Further Education and training;
- stimulate work awareness and work readiness, and make best use of work experience in the compulsory phase of schooling and thereafter;
- achieve a system of vocational & further education and training which meets the needs of the changing economy as set out in the Economic Strategy, and delivers the qualifications and skills which employers need;
- identify improvements in the methods of Schools, Further Education and Modern Apprenticeships, and their integration with advanced tertiary education, as required by the above considerations;
- improve the way in which schools and tertiary education providers work together to change the extent and nature of vocational education;
- promote improved access and a genuine equality of opportunity, broadening the prospects of occupational choice in the years ahead;
- make this a genuine national endeavour, with stronger employer commitment and investment;

Building on what we have set out earlier in this report, there are some additional opportunities which we believe that the Commission should reflect on.

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<sup>38</sup> Scottish government press release, "Industry experts work for young people", 21/1/13

## 4.1 School College Partnerships

Started in 2005, School College Partnerships are agreements which allow school pupils to undertake short or medium length practical or vocational courses as part of their curriculum. According to the Scottish government, all local authorities have a partnership with at least one college and most colleges have partnerships with two or more local authorities. Partnership activities are supposed to be planned and funded jointly by the colleges and the local authorities, based on available budgets, national priorities and local learner needs.<sup>39</sup>

The type of work that students can undertake can include Highers for 6<sup>th</sup> years, Transitional day release programmes, Skills for work courses and Tasters in vocational areas and an SQA qualification at Level 4.

However, according to Colleges Scotland's submission to the Wood Review, there was a sharp decline in the numbers of school pupils on college courses following a change to college funding arrangements for 2010-2011. Their submission states:

*“In 2011-2012 almost 28,000 school pupils in S3-S6 enrolled in a college course. The majority of these pupils were undertaking a vocational programme. Not all of these led to a recognised qualification, however many led to a Skills for Work or similar group award...In 2011-2012 there were 34% fewer S3-S6 pupils benefitting from college courses. The funding policy changes also led to variations in the way that school-college partnership activity is funded. Some colleges deliver all of their school-college partnership activity as part of their Scottish Funding Council funded activity, however, an increasing number ask for a contribution from schools/local authorities.”*

Reform Scotland outlined our support for collaboration between schools and colleges in our earlier reports Power to Learn and Parent Power. We believe that the Wood review should consider the problem of how this is paid for since it seems that, at present following the changes in arrangements and cuts across most budgets, local authorities don't want to give money to colleges which they want to keep for their own schools. Further, colleges can't afford to provide education for which the local authorities should otherwise be paying. This battle loses sight of the individual student and their needs and circumstances. As a result, we believe that the only way to rectify this is to allow the money to follow the pupil. If they feel their needs are best met by staying at school they can do so. However, if they prefer a college environment then that option is open to them too. That doesn't mean the more academic should stay at school and the less academic go to college for vocational training – far from it. For example, some who are more academically orientated may find that college offers a broader range of subject choices and better prepares them for the university environment. Crucially, it comes down to a decision about what is best for the individual.

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<sup>39</sup> <http://www.scotland.gov.uk/Topics/Education/UniversitiesColleges/17135/school-college-pships>

## 4.2 Dumfries Learning Town

‘Dumfries Learning Town’ is a proposal from Dumfries and Galloway Council to create a new type of secondary school which would serve more than 1,000 S4-6 pupils that are currently based across four schools. The idea was to look at planning and delivering education on a whole-town basis and not looking at schools individually. In October 2012, the Scottish government announced conditional funding to support a 15+ school at the Crichton campus.

The Council is currently considering two options<sup>40</sup>:

### **Option 1:**

Improving and updating as far as possible the buildings it currently has. Secondary and primary working and planning more closely together. Secondaries planning together to increase choices for S4-S6. Finding more ways to plan and link with College, Universities and business and to see how better vocational training could be available.

### **Option 2:**

Building a new Senior Phase School in the Crichton area for S4-6. Co-use of some buildings and facilities with College and Universities, linking with business and creating vocational facilities like trades workshops. Creating schools and school clusters which teach children between the ages of 3 and 15.

A Learning and Teaching Group was formed in January 2013 to look at the options and in May 2013 published a report outlining the opportunities and challenges associated with each option. It commented:

*“Scale and location of Senior Phase School would enable exceptional breadth of provision and more choice for all pupils than in any traditional secondary school; an increased range of courses would be viable within the centre itself or neighbouring FE or work based provision although this is dependent on appropriate funding for our partners”*

*“...Option 1 appears to be a safer option, but this might be misleading as the degree of organisational change must be significant. Option 2 appears to be a bolder and ground-breaking option, but this comes with a different set of risks and is dependent on the highest possible quality of planning, build and organisation”<sup>41</sup>*

An online survey was launched by the council on 28 May 2013 which ran until 14 June. The project is expected go to full council on Thursday 27 June.<sup>42</sup>

<sup>40</sup> <http://www.dumgal.gov.uk/index.aspx?articleid=11765>

<sup>41</sup> Dumfries Learning Town: Learning and Teaching Groups’ Final Report (May 2013)

<sup>42</sup> <http://www.dumgal.gov.uk/index.aspx?articleid=11765>

The sort of innovation and experimentation that is being considered in Dumfries & Galloway is the sort of thing that we hope the Commission for Developing Scotland's Young Workforce considers. This does not necessarily mean it should be copied elsewhere, but other, equally innovative, schemes should be encouraged and developed.

## **5. Policy recommendations**

### **Set colleges free**

In previous reports and bulletins, Reform Scotland has set out our objection to non-departmental public bodies or quangos which, being neither fully part of government nor fully independent, blur accountability. The current colleges structure, especially once the new legislation has been brought in, highlights that colleges are examples of such public bodies. Reform Scotland does not understand why universities should be afforded far greater autonomy and freedom than colleges. We believe that colleges would be better placed to respond to the needs and circumstances of their students and communities if they had greater autonomy, not less.

As a result, we believe that legislation is needed to remove colleges' status as public bodies and enshrine them as fully independent private charities, which would in turn enter into a contractual relationship with government to deliver certain services.

Such a change would not affect the government's ability to provide and direct certain FE services. However, it would give the 13 regional colleges greater autonomy and independence to deliver courses and services in a way which best suits their local communities and students. Diversity is a key factor in ensuring our public services are able to respond to the different priorities and circumstances faced by the people they serve. If too much power resides at the centre, it can be difficult for colleges to develop distinctive and innovative approaches. Increasing the autonomy of colleges is, therefore, essential to allow for diverse solutions to the different situations they face. A one-size-fits-all approach will not work as we are a diverse nation.

If colleges were independent organisations they would be able to achieve charitable status in their own right, as universities do, rather than having to be deemed an exception to charities legislation. Being independent bodies rather than government bodies would also allow them, as charities, to hold a financial surplus and reinvest it as they saw fit.

We also believe that giving colleges the same legal status as universities would encourage more people to view the sectors in an equal light.

It is also worth highlighting that university education is best where universities are most free of government control. This is why the US and the UK dominate the league tables. If anything, universities would benefit from greater independence and what applies to Higher Education should apply to Further Education too.

### **Individual funding entitlement for 16 to 19 year olds to attend school or college**

Reform Scotland's 2009 report Parent Power, recommended that parents or guardians should be given an entitlement equal to the value of the average cost of educating a child in their local authority area which could be used to send their child to any school which costs the same as the entitlement or less.

Building on this recommendation, we believe that when a young person turns 16 and is legally able to leave school, they should be able to use their entitlement to attend school or college. This could allow pupils to attend college to sit traditional school qualifications such as Highers, or to take up vocational studies, or a mixture of both with the money following the student. This would bring benefits to a huge range of students from the most academic to those struggling at school. For example, for some the ethos and environment of a college setting may help them in ways their school was unable to, for others it gives an opportunity to study more Advanced Highers or other academic qualifications which may not be on offer in their school. It also hugely widens the range of vocational and academic options available to individuals.

### **Simplifying funding**

Professor Griggs notes in his report the Weighted Student Unit of Measurement (WSUM) funding system *“has grown now into a multi layered beast that does not operate well for anyone”*.

The Griggs report goes on to recommend that instead each college should be given a set budget in which to achieve a small number of outcomes which meet government policy and aspirations. The report states<sup>43</sup>:

*“Having looked at what the options might be, our recommendation is that The FE sector moves to an outcomes based funding model where each College is given a small number of outcomes which will fulfil Government policy and aspirations and is then allocated a sum of money to deliver those.*

*“However this is achieved there must also be a way of measuring and comparing past with future outcomes or we will be taking away the ability to make comparisons over time which would not be useful or desirable. We believe funding should be in terms of a block sum which the College would then use to deliver the outcomes, and to deliver anything else it judges appropriate to support its strategy and benefit the region.”*

Reform Scotland believes that the current funding system is far from ideal and we believe it needs to change.

Our recommendation about money following 16 to 19-year-olds to the school or college of their choice, referred to above, would change the way part of colleges' income came, as it would follow the student.

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<sup>43</sup> Griggs. R, “Report of the Review of Further Education Governance in Scotland”, Scottish Government, January 2012

For the rest of the colleges' funding, we believe that Professor Griggs' suggestion has much merit if colleges are to become independent organisations contracted by government. On this basis, and following Professor Griggs' suggestion, the Scottish government could, through contractual negotiation, get individual colleges to deliver certain outcomes and assign them a budget to do so. However, it would be vital that any change in funding arrangement did not lead to colleges trying to select only the best students.

### **Skills Development Scotland**

Skills Development Scotland, Scotland's national skills body, is a non-departmental public body or quango. As referred to elsewhere in this report, and in previous reports from Reform Scotland, we believe such organisations are not sufficiently accountable to the Scottish Parliament or the Scottish people and this lack of openness and accountability is not conducive to good governance.

Skills Development Scotland had a budget of just over £202 million in 2010/11<sup>44</sup>. The organisation states that "Government policy is a primary driver of what we do"<sup>45</sup>. Given its work is driven by government policy; we believe that the functions being performed by Skills Development Scotland should be brought back into government.

It may be that some of the organisation's functions would be better done by an independent organisation rather than directly by the government. However, the government could choose either to negotiate with properly autonomous colleges to take on some of these functions on the Scottish government's behalf or, alternatively, part of Skills Development Scotland could become a properly independent body and enter into a contract with the Scottish government to perform such functions.

### **Additional recommendations**

In our 2010 report, Power to Learn, we made some recommendations regarding the FE sector which we would reiterate:

- **Scrap the Scottish Funding Council** – Reform Scotland believes that in the interest of having greater clarity, transparency and accountability in the political process all quangos, with the exception of tribunals, should either become fully independent of government or have their functions transferred to existing government departments. As the Scottish Funding Council is a quango, we believe that it should be scrapped and the functions transferred back to government. This would mean that funding would come directly from government and would, therefore, be more accountable.

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<sup>44</sup> <http://www.scotland.gov.uk/Topics/Government/public-bodies/about/Bodies>

<sup>45</sup> <http://www.skillsdevelopmentscotland.co.uk/about-us/what-we-do/>

- Make the Scottish Qualifications Authority a fully independent charitable body, with its accreditation arm retained as a full part of the Scottish government** – Currently the SQA is the national accreditation and awarding body in Scotland, including the provision of qualifications to colleges. However, the SQA is not the only provider of qualifications to colleges. City and Guilds, a private company, also provides vocational qualifications along with many others. Vocational qualifications tend to be developed in conjunction with industry, therefore standards remain high otherwise industry would simply not recognise them. There is no requirement for a single state provider of qualifications, especially one which has such a clear conflict of interest since it both accredits and awards qualifications. As a result, Reform Scotland recommends that the SQA should be taken away from government and turned into a fully independent charitable trust. The SQA's accreditation arm would become part of the Scottish government, and would approve awarding bodies (from across the UK) to award qualifications in Scotland and audit awarding bodies to ensure they continue to meet required standards of delivery and quality assurance.
- Make it a condition of grant that HEIs are willing to take transfer students who have successfully completed HND and/or HNCs into later years of study on a degree course where the subject content is comparable:** Research by the Scottish Funding Council suggests that while post-92 universities are willing to transfer students who have successfully completed a relevant higher national qualification into later years of study on a degree course, ancient and traditional universities are less accommodating. This can lead to students unnecessarily having to undertake up to three years more study, along with the increased costs associated with that. If HEIs are willing to take public money to pay for a student's education, there should be a condition of grant that they are unable to discriminate against such students.

## 6. Conclusion

Throughout Reform Scotland's reports over the past five years, we have commented on how diversity is a key factor in ensuring our public services are able to respond to the different priorities and circumstances faced by the people they serve. If too much power resides at the centre, it can be difficult for individual bodies, be they schools, local authorities, hospitals or colleges, to develop distinctive and innovative approaches.

Increasing the autonomy of institutions is essential to allow for diverse solutions to the different situations they face. A one-size-fits-all approach will not work as we are a diverse nation.

Increasing the autonomy of institutions does not need to weaken democratic accountability as long as the relationship between the body and central, and/or local, government is transparent.

It is, therefore, disappointing that colleges are currently facing increasing central government control. There has been a lot of unrest about the ONS's decision to reclassify colleges as government bodies. However, the ONS did not set up the legal framework within which colleges operate, it is simply reflecting it. If the Scottish government wants colleges to be independent, it must properly make them so. As was highlighted in the Education and Culture Committee's report into the Post-16 legislation, there doesn't seem to be any justification for the Scottish government's desire to take powers away from the colleges and we are concerned about why this is being done.

For the Scottish government's strategy to be successful, we believe that the 13 college regions must be autonomous bodies, contracted by government to provide services.

We also believe there needs to be a greater pride in the work done by our college sector. As a nation, we are quick to boast of the success of our universities, or how we have the best school system in the world (a debatable point in more recent times), yet further education is treated almost with a sense of shame.

If we are to re-invigorate the sector, we also have to change the way we, both individually and as a nation, view it. College is not a lesser choice, simply a different one. It is not the case that someone with a degree will automatically earn more than someone with a vocational education. This is especially the case if you compare non-medical and law degrees with Further Education qualifications. This being the case, it is vital that pupils in school are given the information they need to make informed decisions about their future, rather than the stereotype that you only go to college if you can't get into university.

We believe that the new deal for Scotland's colleges that we have outlined in this report will help give the Further Education sector the boost it needs – freeing up the institutions to deliver not just what the government wants, but also what students and communities want, whilst giving 16 to 19 year olds the ability to choose the educational environment which best meets their needs.

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