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## 1. Scotland's Colleges' Statement

*Scotland's Colleges* exists to support, represent and promote Scotland's college sector. We present this response to the pre-legislative consultation paper on *Implementing Putting Learners at the Centre* as the agreed position of *Scotland's Colleges' Principals' Convention and Chairs' Congress* (joint meeting Tuesday 29 November 2011).

## 2. Executive Summary

- Scotland's colleges are committed to reform. The joint implementation paper from the Scottish Funding Council (SFC) and Scottish Government has many proposals we can welcome, not least moving to a new system of funding that will be simpler and focused on needs and outcomes. Where we have set out recommendations for change is to ensure that the objectives of reform can proceed without complication, disruption or disadvantage for our institutions and learners.
- **Planning for Successful Change:** we understand the financial climate in which the colleges, like others, now exist. We also, therefore, understand the Scottish Government's desire to move reform forward at a rapid pace to deliver the benefits from reform which we believe may be achievable in the three year timescale proposed. However, the risks of progressing with the phasing of the timetable being suggested would not only compromise those benefits; they could potentially destabilise the sector.
- The proposed reform timetable fails to take account of the college planning and applications cycle and greatly underestimates the time required to effectively plan for a new model of regional delivery. Prospectuses are being prepared now and learners are already applying for courses in 2012-13. Many current students expect places to be available for them to progress to higher levels of learning. The implementation proposals would introduce a new system of regional based funding which would not be set out until early in 2012, meaning colleges cannot accurately project their income for the coming year. Without knowing funding levels or student numbers at the time of planning risks disruption to those already in or entering the system.
- The move to a new regional funding formula will also mean that funding cuts, if they go ahead as stated in the draft budget, will not be uniformly applied across every college, but would instead reflect the region that the college is assigned to. However, it is self-evidently the case that plans underway in colleges do not reflect any plan agreed with partners for regional delivery. That process will not be possible to achieve for the coming academic year due to: the planning cycle; the uncertainty on which college partners will be involved in the regional grouping; the structural model that may be adopted by that region; as well as the funding model for provision still under consultation.
- As a solution, we believe it is essential the SFC indicates to colleges their funding settlement for 2012-13 in December 2011 to provide that certainty in colleges' planning. We also recommend that next year's allocation should have funding cuts applied uniformly to allow effective regional planning to take place for 2013-14, which is the first year that changes to the funding methodology and allocation should be implemented; still an ambitious timetable for a reform of this scale.
- **Defining Colleges' Core Purpose and Public Value:** in moving towards a new reformed sector, colleges want to ensure that we do not undermine our own perceived

core purpose and value. Colleges support people of all ages and backgrounds, both in and out of work. We have learners aged between 14 and 80 years of age from every area of Scotland, and we have a strong presence in the most deprived communities of Scotland. Colleges have close ties with industry, delivering skills for the national economy and leverage significant co-investment with business. The proposed focus on young people, while important, should not divert from that wider purpose in providing a breadth of opportunity and supporting skills and economic development.

- **A Regional Approach and Estimating Need:** in recognition of that role and purpose we are, therefore, concerned at the proposed regional funding criteria. The indicators proposed in the consultation paper risk impact on those aged over 24, including those attending on a part-time basis and those in employment.
- We, therefore, recommend that the basis of regional funding allocation should be on the following criteria: regional demographics and population; 16-24 year olds not in education, participating in national training programmes, or registered as unemployed; regional indicators of poverty and deprivation including the numbers of people of all ages with low qualifications, deprived postcodes, or unemployed; national specialisms/key skills for economic growth; accessibility of university; and travel to study data. However, it is important that a full equalities impact assessment is carried out before implementing any new formula.
- **Course Funding:** changes to course funding are expected to have a new focus on outcomes. Again, we emphasise the risks in moving ahead with such a change for the coming academic year. These changes must be modelled to allow regions to plan and for systems to be established to monitor and report on them. Any changes to the funding of courses should not be implemented before the 2013-14 academic session to allow for that to take place.
- **Funding for Student Support:** we recommend there be a review of college student funding. A review would allow full consideration of all avenues of support as well as issues of parity with university students. A needs based model should be developed from this review with clear guidelines being delivered and led regionally by colleges, ensuring locally accessible, reliable support.
- **Counting Student Numbers:** colleges support a simpler funding measure based on full-time equivalents (FTE). However, changes in how student numbers are counted should not lead to a reduction in funding for delivering education to those students. One FTE should have equivalent income in raw terms as currently achieved for 20 SUMs for further education (FE) and 15 for higher education (HE). A reduction in grant should be reflected in a reduction in activity, or risk an impact on quality.
- **Improving Retention:** on retention, colleges would be the first to seek improvement. However, colleges would not support a move to 50% course completion requirement to access funding. Such a move is potentially destabilising and likely to restrict access as colleges will be forced to 'pick winners', putting students with the greatest challenges, such as those from the most deprived areas, at a disadvantage.

Perhaps the more fundamental point is whether colleges are the same, and should be treated in the same way, as schools or universities. The mark of success for a student in college is often not the number of qualifications achieved, but what the learning they have undertaken allows them to achieve. If a student leaves to take up a job that should not be recorded as a failure as is currently the case. If colleges are to be assessed and

funded against retention, indicators should record success more accurately and better reflect the nature of the sector and its learners.

- **Articulation Agreements:** articulation from colleges into universities is the main way in which people from the most deprived backgrounds in Scotland can achieve a degree level qualification. The expansion of such agreements across Scotland should be supported in statute.
- **Outcome Agreements:** Scotland's colleges support the development of outcome agreements and, in broad terms, agree with the proposals for their negotiation and assessing performance. However, we believe that the target to have agreements in place for the next academic year by April 2012 is extremely challenging. The sector would also be agreeing to outcomes that were not known or planned for when decisions on provision were being made. With so many unresolved change proposals, any agreement should focus solely on plans for developing regional structures.
- **Supporting the Cost of Change and Transitional Arrangements:** we welcome the initial £15 million announced in a Transformation Fund for the sector for 2012-13. However, some colleges are significantly more advanced than others in plans for regionalisation and not all will know the support required in such a short timeframe. It is important that all regions are able to access the necessary support to make reform work. We, therefore, believe this fund will need to be kept under review to ensure support is available over the full three year reform period. The criteria applied for support must ensure a fair use of the funds where key determining factors, such as current staffing levels, are given the appropriate weighting.
- Funding for structural change does just that – change structures. It will support staff severance, systems harmonisation and other necessary costs in merger or collaboration. This fund cannot guarantee to protect places. We therefore look forward to early engagement with the new Minister for Youth Employment on how the £30 million announced in support of initiatives such as *Opportunities for All* will help protect places for vulnerable learners.

### 3. Introduction

Scotland's colleges are committed to meeting the needs of the learner and are keen to work in partnership with the Scottish Government to implement change which delivers enhanced opportunities for Scotland's learners. Scotland's colleges embrace change; continuing improvement; and can build on the experience of successful mergers, collaborations and more formal partnership models. As agreed by both the chairs and principals of Scotland's colleges we commit to support the Scottish Government to:

- secure a successful regional network of colleges within a **three year time frame**
- **lead successful implementation of regional structures** placing learners and local economies at the centre
- work with the SFC to secure **simple, transparent and flexible funding solutions** within the three year timetable
- recognise the changed financial circumstances in which the work of the sector has to move forward and that the sector is keen to support any change that **drives efficiency and minimises bureaucracy** enabling greater **spend on learning and learners**
- promote the role of the sector in developing skills and knowledge for the economy and building capacity in communities. We will, therefore, strive to meet the needs of

Scotland's **young people** and we must also ensure that a college's core role also includes **lifelong learning, economic development and skills and workforce development**

- ensure we build on change in the college sector and **maximise opportunities for efficiencies and simplification** in other areas of the **public sector**, significantly adding value and improving returns on investment
- secure **Opportunities for All** and believe all learners in Scotland have access to the education and skills they need to succeed on an **equal** basis without disproportionately affecting any vulnerable groups in our communities
- maintain the principles of college governance: **openness; transparency; accountability and responsible autonomy.**

However, reform of the college sector cannot be considered in isolation and must reflect the unprecedented financial situation in which Scotland's colleges are currently placed. Having made efficiencies to absorb a 10.4% funding cut over the 2010-2011 academic session, the Scottish Government announced in its 2011 spending review a further 14% cut over three years. In real terms we calculate the cuts to be in the region of 27% (between 2012-2015) with a particular concern that the budget is 'front-loaded' with a cut of approximately 13%. Implementing significant change in this financial climate will be challenging.

On Monday 14 November 2011, during the consultation period on *Putting Learners at the Centre*, the Scottish Government and the SFC issued a joint consultation: *Proposals for Implementing Putting Learners at the Centre*. We respond here to **Proposals for Implementing Putting Learners at the Centre**. We emphasise the need for further **comprehensive engagement between the Scottish Government, SFC and Scotland's colleges** in order that the SFC has the opportunity to share **scenario planning and modelling** with the sector, to ensure that we are able to effectively support and engage in the process of reform.

## 4. Planning for Successful Change

### 4.1 Primary Risks

Scotland's colleges support many of the objectives outlined in *Putting Learners at the Centre* and believe that it is largely achievable in the three year timescale identified. However, we strongly believe that the phasing identified in the timetable for change outlined in *Proposals for Implementing Putting Learners at the Centre* will be likely to **compromise the change agenda** and potentially **destabilise the sector**. We have identified the following primary risks:

- (i) Learners across Scotland are considering their options already for 2012-13, accessing our prospectuses and applying for programmes. Moreover, many of our current students aspire to progress to a higher level of learning with us. The SFC must indicate to colleges directly their funding settlement for 2012-13 in December 2011 to secure a **fair service to learners currently in and about to enter the system.**
- (ii) The scale and phasing of funding cuts is not a financial settlement that will secure effective change and reform. Following a 10.4% cut in funding in 2010-2011, further savings will mean a **reduction in learner provision, places, courses and staff numbers.**
- (iii) We must allow time to **determine the impact of changes** to funding methodology, scrutinising the implications for learners, communities and employers. If we are to

- implement a new distribution model and methodology, it is critical we plan effectively and get it right: any change must **stand the test of time**.
- (iv) The Scottish Government's consultation papers do not recognise the critical role colleges play in delivering skills for a successful Scotland. The Scottish Government articulates the 'core purpose' of colleges to be meeting the needs of vulnerable young people. Clearly to secure economic growth, colleges must be funded to deliver the **skills for our economy** and meet the needs of industry. The real risk is a **significant skills gap** and impact on Scotland's ability to reach its economic potential. Furthermore, the proposed change in college priority will also **reduce industrial co-investment in skills and training**.
- (v) Finally, the pace of change does not allow for a comprehensive impact assessment to be undertaken. The Scottish Government must consider its obligation to **equalities impact assess** these proposals.

## 4.2 Implementing Change

Following consultation with senior college colleagues, we identify that the greatest risk to the college sector is the phasing of the plan for change outlined. In order to minimise the impact on our learners and to deliver a sustainable and successful outcome, we strongly recommend that the Scottish Government follows the timetable for change outlined below:

<b>December 2011</b>	The SFC announces the volume and funding allocation for 2012-13 to each college, based on their existing funds with any cut uniformly applied across the sector.
<b>January 2012</b>	Outcome of consultation exercises published, impact assessed and comprehensive review of funding methodology commences.  SFC should release demographic data and analysis, and engage in dialogue with the sector in securing a distribution model.
<b>April 2012</b>	SFC advises regions of likely funding allocations for 2013-2014.  Regional groupings of colleges develop outcome agreements for 2013-2014 including:  (i) plan and timescale for regional structures (ii) regional curriculum delivery plan.
<b>July 2012</b>	Revised funding methodology for implementation in 2013-2014.
<b>September 2012</b>	SFC should announce the indicative volume and funding allocation to each region for 2013-14 applying new methodology.
<b>September 2012 to July 2013</b>	Procurement and development of management information systems and adaptation of college SFC administrative processes.
<b>August 2013 to 2014</b>	Implementation of regional allocations and a simplified funding methodology.

It must be emphasised that the intention is not to disrupt or delay the process of change, however, there is a genuine belief that by adopting a revised phasing of the change proposal, we will minimise risk and, in many cases, avoid potential barriers to change.

In summary, we believe that the incorporation of the milestones suggested above, together with the revised phasing proposed, not only will the pace of change be maintained, a successful transition to regions in the timescales identified is far more achievable. The regional agenda has already gained the sector's support. Acceptance of the changes proposed will add confidence to the sector's commitment to deliver that outcome.

## 5. Defining Colleges' Core Purpose and Public Value

The Scottish Government and SFC prioritise only one element of Scotland's colleges' portfolio of services i.e. to young people, within their consultation documents. Scotland's colleges aspire to meet the needs of our young people securing learning and training opportunities leading to employment or further study. However, we bring learning to people of all ages, backgrounds and employment status. This **diversity** reflects the nature of Scotland's people and communities, and helps to bring those furthest from work closer to the labour market. We work with partners to secure positive opportunities for young people with 35% of enrolments and 65% of all activity delivered for those under the age of 25. The average age of a college learner is, however, 29. We deliver over 95 million learning hours to young people, and we also work to deliver **Opportunities for All**, and to secure a skilled workforce for our regional and national economy.

Scotland's colleges have close links with industry that place us at the centre of economic development and regeneration. We also provide a unique and valued service to many of Scotland's key industries. In 2010-2011, there were over 21,500 modern apprentices learning within a college environment. We deliver skills and learning for many of Scotland's key sectors.

If *Putting Learners at the Centre* is implemented as outlined in the consultation paper, there will be risks as **funding is redirected and refocused away from skills and the economy** to concentrate on 16-19 year olds not in education, training or employment. As colleges, we have worked hard to provide the skills and training needed for the growth of the economy to all comers, of all ages, providing the skills and education our learners need to get a job, keep a job, or get a better job.

Scotland's colleges play a particular and significant role in securing a successful Scottish economy. Colleges generated almost £100 million of additional income (SFC Further Education Statistics 2009-2010) in addition to their SFC allocations. However, we estimate the potential **loss in co-investment to be as great as £37 million per annum** if the cuts and policy change are implemented as outlined. While we support the priority given to ensuring the future for our young people, we would need to retain the flexibility to allow colleges to provide learning opportunities for other learners who are also vital to the regional economy.

## 6. Regional Approach

Scotland's colleges recognise the changed financial circumstances in which the work of the sector has to move forward and are keen to support any change that drives efficiency and minimises bureaucracy, enabling greater spend on learning and learners. Scotland's colleges will work with the Scottish Government and the SFC, leading successful implementation of regional structures that place learners and local economies at the centre of our planning and delivery. We will work with partners to develop skills and knowledge for our local economies while building capacity in communities. We will strive to meet the needs

of Scotland's young people, deliver *Opportunities for All* through lifelong learning, promote economic development and skills, and work with employers to enhance local industries through effective workforce development. Scotland's colleges also strongly support the Scottish Government's ambition to secure *Opportunities for All*, where all learners in the regions of Scotland have access to the education and skills they need to succeed on an equal basis.

Scotland's colleges embrace the opportunity to lead the development of strong regional groupings of colleges, acting strategically to improve skills in their areas and across Scotland as a whole. In this response from the sector, we will not comment on the regional alignments of individual institutions – this is for college teams to determine and feedback. Scotland's colleges have identified criteria that must be considered in shaping regional affiliations – in short, we must put learners and learning at the centre of these decisions. These are:

1. Regionalisation should create college groupings of scale, able to plan regionally and deliver locally across Scotland.
2. Regional groupings, where possible, should be mapped to local authority boundaries and to other administration areas e.g. Scottish Enterprise, Skills Development Scotland (SDS), NHS, Jobcentre Plus etc.
3. The future map of college groupings in Scotland, in the main, should be driven by learner need and efficient curriculum delivery. To secure cohesive curriculum maps, preventing duplication and widening access, college groupings should be determined on patterns of learners' study and travel to learn evidence.

However, we believe the strategic role of the college in the new regions requires a stronger emphasis and recognition by partners and existing structures such as Community Planning Partnerships if we are to fully respond to regional and national need.

## 7. Estimating Regional Need

*Putting Learners at the Centre* proposes that regional planning and funding of college provision should be based on the needs of a region, taking into account the demographics and economy of the region in question. These criteria firmly prioritise funding for young people, ignoring the skill requirements of significant numbers of over-19s who also need opportunities for lifelong learning in order to contribute to the life and economy of Scotland. This priority is consistent with the policy direction articulated in *Putting Learners at the Centre*: 'the purpose of our investment in colleges will be to provide people with the skills they need to get a job, keep a job or get a better job and develop a career'.

On a more technical point, we believe greater clarification is required for the proposal that the indicator for low qualifications would be the number of people with no qualifications above Scottish Credit and Qualifications Framework (SCQF) Level 5. There is a significant difference between someone who has one Standard Grade and someone who has a full Scottish Vocational Qualifications (SVQ) Level 2 which are both SCQF Level 5 but would have different impacts (bearing) on their ability to get a job.

### 7.1 Defining Regional Allocation Criteria

Scotland's colleges believe that the regional allocation should be based on the following criteria:

- regional demographics including population

- the numbers of 16-24 year olds not in school or university education, and not participating in a national training programme or those registered as unemployed
- regional indicators of poverty and deprivation including the numbers of people of all ages with low qualifications, deprived postcodes, and unemployment figures
- delivery of national specialism/key skills for economic growth
- accessibility of university education
- travel to study/travel to work data – though this is more relevant for some regions than for others.

The indicators proposed in the consultation paper will impact on those aged over 25 including those attending on a part-time basis and those in employment. We would recommend that a full equalities impact assessment is carried out before reaching any conclusion.

It is not clear from the consultation paper how it is proposed to use statistical data to calculate the regional allocation and whether this would in reality relate to the **actual** needs of a region. For example, will the starting point be the relative share of the region's population proportionate to the national population which is then adjusted in the light of the various indicators as they affect each individual region? Or will it be based on the proportionate regional share of each individual indicator compared to the national position? This could make a significant difference in funding, which can only be assessed through modelling. We would wish to have this matter clarified and modelled before expressing a sector view.

Scotland's colleges agree that it is important that account should be taken of travel to study/travel to work data in calculating each region's allocation. However, care should be taken in distinguishing between those learners who study outwith their region for work, lifestyle or learning choices and those who travel for specialist courses. The former group result from 'chance circumstances' – geography, transport and economic infrastructure largely outwith the control of colleges and the SFC. Where this happens, it is not a role as described in the paper. Delivering 'specialist' provision, however, is a role and can and should be planned to avoid duplication and also to ensure equality of access for learners. Further dialogue is therefore required to identify what constitutes 'specialist' provision and its location and how this relates to learner choice and access.

## **7.2 Effectively Planning Funding Allocation**

Effective regional activity does not end or begin in determining funding allocations. The initial period of developing partnership – whether collaborative or merged – requires joint planning of curriculum; a process of evaluation; consolidation of systems; establishment of new governance structures and planned changes in workforce and course offering. More critical for a successful reform process is the ability of new structures to make informed decisions. We have, earlier in this response, proposed a re-phasing of the timetable to ensure that effective regional college structures are in place prior to the implementation of regional allocations.

The Scottish Government and SFC propose to rebase regional allocations periodically as new data becomes available, and in response to changing Scottish Government priorities. The suggestion of an annual rebase will raise the risk of disappointing learners and inhibit effective regional planning. Learner places and offers to students are advertised and applications received, usually a year in advance of course start dates. Moreover, college learners assume that progression routes within colleges will be open to them. In order to secure positive experiences for our learners, rebasing of funding must take place no more

frequently than every three years with a minimum of 18 months notice to any change to base levels of regional funds.

## 8. Courses

In future it is proposed that college funding will be determined by qualification outcomes, a subject based element, an evaluation of learner need and a payment reflecting rural and remote location. The sections below outline Scotland's colleges' response to the proposals, the potential risks and solutions.

Our main concern relates to the timing of the introduction of any changes to the funding of courses. It is essential that any changes support the outcomes envisaged by the reforms; that the methodology is fully understood and systems in place to administer, monitor and report on them; there is sufficient time for regions to plan and agree the use of funding and therefore the consequences of change are modelled and known in advance. As a result, we strongly believe that **changes to the funding of courses should not be implemented before the 2013-14 academic session.**

### 8.1 Recognised and Non-Recognised Qualifications

From 2012-13, the Scottish Government and SFC will prioritise courses leading to recognised qualifications, including vocational non-advanced and advanced programmes; and support for the senior phase of the *Curriculum for Excellence*' (including through school-college partnership programmes). They also recognise that some non-recognised qualifications (NRQs) have value, for example, as access routes and by meeting some learners' additional support needs.

Scotland's colleges support the move to qualification outcomes and NRQs where applicable but believe that the SFC need to clarify the definition of 'qualification' and 'NRQs' as neither is clear from the paper. There is a risk that we develop a 'list' of approved qualifications leading to inflexibility, instability and an additional process draining resource from learning to administration. More importantly, we should ensure that the needs of employers are taken into account in recognising qualifications that they value and endorse. We support the use of NRQs, particularly where they demonstrably enable learners to get a job or keep a job.

In defining a qualification we must ensure that the need of learners and employers for more flexible access is recognised. This requires qualifications to be built up and acquired over time and it is therefore essential that units of recognised awards remain eligible for funding. Recognition of qualifications must extend beyond the Scottish Qualifications Authority (SQA) portfolio to include those awarding bodies valued by employers and professional bodies.

### 8.2 Subject-Based Element

The costs of delivering different subject specialisms vary significantly. We support a simplification of the current system and believe that it is essential that the SFC work with colleges to quantify these variations enabling colleges to provide comprehensive sustainable portfolios based on regional needs analysis, and not just on affordability. Scotland's colleges support the reduction in the number of weightings. We would recommend a joint review of programme grouping and a transparent cost base exercise to classify programmes or subject areas into a reduced number of payment bandings.

### **8.3 Additional Support Needs Element**

The Scottish Government recognises the additional costs involved in supporting students who require additional support in learning. They have suggested in the consultation document *Proposals for Implementing Putting Learners at the Centre* that in the long-term there should no longer be separate weightings for DPG 18 courses and extended learning support. Instead, the SFC will set out a price per student place (the 'subject-based element' described) at a rate reflecting the fact that some students need additional support and would expect regions to meet most students' needs from within the subject based element. In terms of learners with more complex additional needs and meeting costs of serving students from areas of social deprivation, separate funding is proposed. The SFC proposes to work with colleges to develop an '*ascending scale of need*'. This change in methodology is a fundamental change in how we support individual learner need. Scotland's colleges believe that changes to funding methodology should not be implemented until 2013-14, particularly as it is essential that any change so directly impacting on our most vulnerable learners is well planned to best meet need. We are concerned at this proposal and believe that further consultation is required before progressing with the proposed changes to ensure that vulnerable and disadvantaged learners are not adversely affected by these. We are concerned that, particularly in the case of social deprivation, this will involve colleges in assessing the needs of a large group of learners which it will be difficult to achieve accurately, quickly and without a significant increase in staffing. It is essential that any needs based funding is simple to implement, reduces rather than increases administration and enables timely access to support by learners.

### **8.4 Rural and Remote**

Scotland's colleges seek further discussion and a clearer definition of the term 'rural and remote' and on how this will be applied in regions with a mix of 'urban' and 'rural and remote' areas.

## **9. Funding for Student Support**

The SFC proposes to provide regions with student support on the basis of the number of student places and the historical proportions of full-time FE students getting bursary support and childcare funds. However, the need for student support can fluctuate. As an interim measure, SFC would initially hold back a proportion of student support, proposing to allocate additional funds to regions during the year once evidence of demand is clearer. Scotland's colleges support this approach.

Student support in the colleges of Scotland currently provides 'a system of financial support for students that targets support where it is most needed, so that, as far as practicable, opportunities to learn are determined solely by a person's capacities and ambition'. Bursaries are means tested to ensure that those who are eligible and need help most receive one. Education Maintenance Allowances (EMAs) are also means tested payments paid to those who need assistance most. As the National Statistics state, almost a quarter of the EMA recipients in 2009-10 lived in the 15% most deprived areas in Scotland. Further, 37% of the eligible 16-19 year olds in Scotland currently access EMAs through college. Scotland's colleges propose that prior to any change to current allocations, a review of student funding is carried out to enable colleges and SFC to develop student funding guidelines and to implement a needs based funding model delivered and led regionally by colleges. Regional administration of student support funding will reduce any central

administration loops and ensure learners receive support in a timely fashion based on a local determination of need.

## 10. Funding for Capital Maintenance

Scotland's colleges propose that the annual grant for capital maintenance should be distributed on a regional basis as soon as regional structures are in place. Within each region there will be a diversity of maintenance and refurbishment requirements across campuses and we must ensure that the needs and best interests of all of our learners are accounted for. The SFC is concluding a review of its allocation model and is likely to move from funding based solely on student numbers to a model taking better account of building condition and recent investment in the estate. We believe that account should be taken of both and that there should be flexibility for regions to use capital funding allocated for major items of equipment and information and communications technology (ICT) infrastructure to ensure that learning and teaching reflects technological and industrial change. In the past, there have been time consuming and complex monitoring exercises undertaken relating to estates and we believe that in the future monitoring of capital grants should be incorporated into outcome agreements.

## 11. Counting Student Numbers

### 11.1 Defining Student Numbers

As outlined in *Putting Learners at the Centre*, SFC propose to simplify the current funding system and propose that the unit of measurement should be based on converting learning hours to FTE student places. The aim is to eliminate many complex rules and guidance, providing colleges, learners and other stakeholders with a simpler, more transparent funding methodology. Scotland's colleges support this intention. There are however, different ways to convert learning hours/credits to FTEs. SFC proposes there should be one standard conversion between learning hours/credits. This would involve removing the fixed tariff for full-time, but the price per unit would be adjusted accordingly. An alternative could include having separate conversion factors for FE 'non-advanced' and HE 'advanced'.

Scotland's colleges are keen to work with the SFC to implement a new and simpler methodology for funding allocation. However, we strongly advise that no change to methodology is implemented until 2013-14 at the earliest to enable adequate modelling, and management information systems (MIS) to be set up and staff developed for new processes. Colleges support a simpler funding measure based on FTE. However, changes to the methodology for counting student numbers should not be used to implement a further efficiency gain on the sector. One FTE should result in the equivalent income in raw terms as currently achieved for 20 SUMs for FE and 15 for HE. The sector strongly believes that the current price should be maintained and that any reduction in grant must be reflected in a reduction in activity.

### 11.2 Retention

The SFC proposes a number of ways in which to improve retention including:

- raising the current cut-off for eligibility for counting towards funding targets from 25% to 50% of course duration

- removing the 'entry cost' element would reduce the incentive for colleges to enrol students who are likely only to attend for a very short time
- targets for improvement of retention in outcome agreements.

Scotland's colleges do not support a move to a 50% course completion as it is potentially destabilising for the sector and is likely to restrict access as colleges will be forced to focus on those students most likely to succeed. Those students with the greatest challenge e.g. 'more choices, more chances' (MCMC) will now present the greatest risk. It is potentially creating inequality between college and school and university students where a 16-19 year old would not have to achieve the same 50% threshold in order to have their funding secured. College students attend on a voluntary basis, and often have to overcome complex personal barriers to learning and life challenges. Current retention rates reflect our open access policy and often students are enrolled who may have attended school as legally required and have been disengaged for many years. Learners also tend to be attending college whilst maintaining a number of commitments including family and work responsibilities which are major determinants of their ability to continue to study.

Colleges would support a move from the entry fee payment assuming this would be embedded in 'subject based payments' and believe that the most effective way to ensure improved retention and successful learner outcomes would be through negotiated outcome agreements. The outcome agreement for a region should reflect the return that the Scottish Government and the SFC expect for their investment and is an opportunity for the region to make clear, and agree with SFC, the contribution it intends to make to the Scottish Government's three strategic aims set out in *Putting Learners at the Centre*: improving life chances; jobs and growth; and sustainability of the sector.

However, we believe that there needs to be a review of the definitions used to measure retention. We need to ensure that the term 'drop out' will only be used for those who have not secured a positive destination, not as currently where a learner who came to college to 'get a job' succeeds and leaves before the end of their course and is thus seen as a 'failure' for the purposes of retention. Learner destinations could include outcomes such as:

- secured a job
- kept a job
- got a better job
- completed programme
- secured a qualification
- progressed to a higher SCQF Level
- transferred to a better-fit course
- secured a university place.

We would welcome further consultation on this.

### **11.3 Articulation**

There are many success stories from recent years in the development of articulation agreements between colleges and universities, providing an excellent groundwork for expansion. Colleges support the objective of the Scottish Government in seeking improved articulation and the development of a statutory framework for the whole of Scotland to ensure that learners who want to make the transition from college to university can do so.

Articulation from colleges into universities is the main way in which people from the most deprived backgrounds in Scotland can achieve a degree level qualification. The expansion of such agreements across Scotland should be supported in statute – it would both reduce

the unnecessary duplication of provision for those learners to have to repeat learning at a lower level, at a cost of years as well as funds, and is an important component in social mobility.

Universities and colleges will need to work closely together to develop these agreements, and any regional structures that are developed will need to have regard to how those can be developed from an early stage. Colleges will be seeking to make those discussions a priority to deliver strong working partnerships across Scotland.

There may be merit in establishing a national steering group, with representatives of colleges and universities, the SFC and other partners, to help drive a consistent approach in developing partnerships and opportunities for students.

## **12. Regional Structures and Accountability**

We have not identified any options for regional structures in addition to the four identified in the paper. Different regions will be in different circumstances and we believe that it is for each region to identify the most appropriate structure.

## **13. Supporting the Cost of Change**

Scotland's colleges agree that it is essential that funding is made available to support the cost of structural change. However, we strongly believe that, if the intention is to put 'learners at the centre' this cost should be met by additional resources and not by top-slicing the overall SFC settlement and thus re-directing funding away from learners and teaching and learning.

We welcome the initial £15 million announced in a Transformation Fund for the sector for 2012-13. However, some colleges are significantly more advanced than others in plans for regionalisation and not all will know the support required in such a short timeframe. It is important that all regions are able to access the necessary support to make reform work. We, therefore, believe this fund will need to be kept under review to ensure support is available over the full three year reform period. The criteria applied for support must ensure a fair use of the funds where key determining factors, such as current staffing levels, are given the appropriate weighting.

Funding for structural change does just that – change structures. It will support staff severance, systems harmonisation and other necessary costs in merger or collaboration. This fund cannot guarantee to protect places. We, therefore, look forward to early engagement with the new Minister for Youth Employment on how the £30 million announced in support of initiatives such as *Opportunities for All* will help protect places for vulnerable learners.

## **14. Outcome Agreements**

Scotland's colleges support the development of outcome agreements and in broad terms, agree with the proposals for their negotiation and assessing performance. However, we believe that the target to negotiate agreements for 2012-13 by April 2012 is extremely challenging. At the very best, with so many unresolved change proposals, any such

agreement should focus solely on plans for developing regional structures, recognising the different circumstances and challenges in different regions.

To help develop these agreements, colleges will engage with other stakeholders (e.g. local authorities, SDS, enterprise networks and other community planning partners) to discuss joint planning to meet regional skills needs including the contribution of regional outcomes. However, there needs to be a more clearly defined strategic role for colleges both within a region and nationally, and particularly in terms of their membership of Community Planning Partnerships.

It is appropriate that SFC indicate key national priorities to include in each region's outcome agreement, however, these should not be seen as the only targets driving funding as this would constrain a college's ability to work flexibly to meet regional needs.

We concur that agreements should be assessed against outputs and broader outcomes and would wish to ensure that this does not lead to an increase in the already costly, complex and administratively burdensome systems needed to currently monitor activities.

## **15. Transitional Arrangements**

Where demographic modelling indicates a geographical shift in allocation of funds, Scotland's colleges would support transitional arrangements to minimise learner impact and to enable effective change management. We welcome the undertaking to provide certainty on funding and activity levels in December 2011, however, believe that a re-phasing of the timetable of the nature we have suggested above, will reduce the need for transitional arrangements.

We further believe that a re-phasing of the reduction in funding to the sector announced in the draft budget statement would also significantly improve the transition and reduce the cost and impact on learners. If the reductions were re-phased so that the largest reduction occurred in year 2014-15, then the efficiencies and cost reductions envisaged through regionalisation would increase the likelihood that funding for teaching and learning would not be needed for structural reform.

## **16. Shaping a Successful Scotland**

Scotland's colleges recognise the changed financial circumstances in which Scotland's publicly funded bodies and agencies must work and we are keen to build on successful regional college hubs to drive further efficiency and effective partnership working. In order to maximise the benefits of the Scottish Government's investment in post-16 education and training, it is important to consider more than college reform. Scotland's colleges would like to engage in strategic dialogue with the Scottish Government to identify where innovation and effective cross-agency working can support the agenda for change. We have outlined ideas below, by considering the wider landscape, demonstrating how we might better minimise bureaucracy enabling greater spend on learning and learners:

- By ensuring Scotland's regional colleges are statutory members of Community Planning Partnerships and enabling college leaders to direct local learning alliances, we can work to secure joined-up planning of all local education and training providers – minimising duplication and competition.

- Scotland's colleges would welcome the opportunity for early engagement with the new Minister for Youth Employment as to how colleges can take a lead role in co-ordinating the regional delivery of skills, education and work experience for young people. We also hope to see that the additional £30 million identified in that portfolio will be able to support colleges in protecting places for the most vulnerable young people.
- With a regional infrastructure Scotland's colleges could work with SDS to minimise the bureaucracy and improve the learning experience of those undertaking Modern Apprenticeship and Get Ready for Work programmes. By streamlining programmes and aligning with the single entry approach and systems used by SFC, we could significantly improve administration efficiency. Moreover, full integration with the core SFC systems would enable enhanced reporting and monitoring of outcomes for all learners, including those studying on SDS programmes.
- We have clearly illustrated a gap in funding for adult learners. By developing a regional hub resource of monies including Training for Work, Flexible 5000, ILA Scotland and Jobcentre Plus response funding, we could better provide joined-up services to adult learners.
- Further rationalisation and simplification could create opportunities for central contracting on behalf of the sector. For example, the SFC could contract centrally and annually using the Further Education Statistics (FES) return to 'buy' and account for SQA accreditation of college awards eliminating all of the individual SQA/college transactions and making major savings.
- We might also investigate how, by working more closely together, agencies such as SDS and Jobcentre Plus might co-locate on college campuses.

These are a few of many improvements we might make by championing a 'Total Place' agenda. We invite the Scottish Government to discuss these, and further improvements, with us.



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