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Education, Children and Young People Committee
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20 December 2022

Dear Convener

Pre-budget scrutiny 2023-24

Thank you for your letter of 3 November which provided the Committee's pre-budget scrutiny findings. The annex to this letter provides a response to the key points raised by the Committee.

Improving the life chances of our children, young people and learners continues to be a key priority for this government. As you will be aware the resource allocation announced in Budget 23-24 for Education and Skills increased by £132m to £3,059m. The capital allocation increased by £67m to £551m.

However, this is not to ignore the challenging backdrop to this Budget, which culminated in the need for our Emergency Budget Review in Autumn to provide further help to those most impacted by the cost of living crisis while ensuring we manage our budget prudently in the face of rising inflation and economic uncertainty.

Within the E&S portfolio, we are using this allocation to change lives for the better and to underpin key government priorities, including enabling everybody to reach their full potential, eradicating child poverty and supporting economic transformation to deliver Net Zero ambitions.

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For example, the portfolio is continuing to invest around £1bn each year in Early Learning and Childcare and is now committing a further £42m funding (resource and capital) for school age childcare and holiday food provision.

The funding maintains our commitment to invest £200m annually in the Scottish Attainment Challenge in order to accelerate progress towards closing the poverty-related attainment gap. I have also agreed that £50m should be allocated to funding Whole Family Wellbeing, including preventative holistic family support, and a further £30m for activities to #KeepThe Promise to our care experienced children and young people.

We are providing a further £80m capital to support our expansion of free school meals. This will allow us to fund our expansion of Free School Meals for all Primary 6 and 7 pupils in receipt of the Scottish Child Payment, beginning from August 2024. This is the next step in fulfilling our commitment to universal provision in primary schools.

This allocation also provides support for the Scottish Funding Council and our colleges and universities to deliver the commitments as described in the National Strategy for Economic Transformation and to build on the recommendations from the SFC's Review of Tertiary Education and Research.

Importantly, given the current economic climate, we are also continuing to provide support for Skills Development Scotland and a range of skills and training programmes to ensure Scotland develops well-educated and highly skilled people.

As you will be aware, Ms Haughey, Minister for Children and Young People and I are appearing at Committee on 18 January and we are happy to discuss the portfolio allocations in more detail at that time.

Yours sincerely

SHIRLEY-ANNE SOMERVILLE

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2023-24 – EDUCATION AND SKILLS - PRE-BUDGET SCRUTINY

ANNEX TO RESPONSE - POINTS RAISED BY COMMITTEE

COLLEGES – FINANCIAL FLEXIBILITY

The Committee notes the SFC’s evidence that colleges are at lower risk, and less likely to suffer significant financial losses as a result of their current ONS classification. However, the Committee recommends that the Scottish Government consider how it could give colleges some flexibility, which could allow them to provide seed money for projects, invest in capital, manage the challenge of the college academic year being out of sync with the end of the financial year and carry forward surplus.

The Scottish Government, through the SFC, extended some financial flexibility for the college sector in 2022-23, such as allowing tolerance in meeting college credit targets. The college sector is operating, like all of us, during a period of transition and change. Now more than ever, we all need college delivery to be agile and responsive to regional, social, economic and environmental needs. We recognise colleges need clarity and increased flexibilities to best deliver this and we are working with the SFC now to provide as much of this as we can within the current financial year and into 23-24. We will expect colleges to deliver the most appropriate learner offer throughout life, whether full-time, part-time or a tailored mix, taking account of the diverse needs of learners. Colleges will be responsive to local skills needs, with reference to appropriate regional economic development plans and national priorities such as Climate Emergency Skills Action Plan and National Strategy for Economic Transformation, to support learners into related training and employment.

The interim Purpose and Principles framework that was published on 9 December 2022 provides the space for us to work collectively to shift from inputs to outcome and impact. The final Purpose and Principles material published next May will establish a long term framework that guides future reform throughout the system.

The Scottish Government appreciates that current legislation prevents incorporated colleges from being able to borrow and from using surplus funds. Since the ONS’ decision to classify colleges as public bodies in 2010¹, they have been subject to the rules of the Scottish Public Finance Manual and therefore cannot retain surpluses. Public sector classification provides an enhanced level of governance and assurance in that Scottish colleges must align with the accounting practices applied to non-departmental public bodies.

Colleges are permitted to have Arm’s Length Foundations (ALF) and can transfer commercial surpluses to their ALF to support future investment. SFC is continuing to work with colleges and SG to deliver flexibilities that support colleges’ financial sustainability.

¹ a decision based on controls Ministers already had over colleges at the time and which was backdated to 1993

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The committee will no doubt be aware that the ONS have recently decided to reclassify colleges in England to the public sector, following the Skills and Post-16 Education Act 2022 which specifies more direction from government on regional skills planning.

COLLEGES – INVESTMENT STRATEGY & NET ZERO

The Committee welcomes the work that the SFC and the sector are undertaking to identify the extent of the backlog and life-cycle maintenance currently required, as well as developing an investment strategy to upgrade campuses to meet future challenges but would like more detail.

Given that the level of maintenance required has almost certainly increased since 2017 and the ability of colleges to raise funds is limited, the Committee is concerned that colleges will not be able to meet their net zero targets by 2045.

The Committee also notes that the Scottish Government did not announce any additional capital funding for colleges in its multi-year spending review in May 2022.

The Committee therefore believes that the assessment of the current position and the investment strategy should be completed as a matter of urgency.

In response to the Programme for Government 2021-22 commitment that the Scottish Government “will work with the SFC to develop an estates strategy for Scotland’s colleges, establishing priorities for investment”, the College Infrastructure Strategy: The Approach to Delivering Scotland’s College Infrastructure² was published on 24 November 2022 by the SFC. It was developed in partnership with the college sector and includes developing a national Colleges Infrastructure Investment Plan which is intended for publication in autumn 2023.

The strategy recognises that investment in college infrastructure is needed and describes the principles and approach to determining future investment needs in Scotland’s college estate and other college infrastructure. It recognises the need to explore new and existing funding arrangements to address the breadth of investment needed and this will be investigated as part of the work to develop the Infrastructure Investment Plan.

The plan, scheduled for publication in Autumn 2023, will cover the period from 2023-2033, will identify infrastructure investment needs, including investment for net zero, training equipment and digital needed for a sustainable college estate to deliver the desired outcomes for students, staff and communities.

² [College Infrastructure Strategy: The approach to delivering Scotland’s College Infrastructure Plan \(sfc.ac.uk\)](https://www.sfc.ac.uk)

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A short-life strategy delivery working group has been set up to agree a joint action plan, with deliverables, milestones and timescales, for delivering the Infrastructure Investment Plan. The group met for the first time on 29 November 2022 with members from the college sector, Scottish Government, SFC and Colleges Scotland. The group will exist until the Infrastructure Investment Plan is published.

PURPOSE AND PRINCIPLES

The current timetable indicates that the Scottish Government will publish the purpose and principles statement in Spring 2023. However, the Committee believes decisions to underpin the financial sustainability of colleges and to provide possible flexibilities, and a strategy to lever in capital investment, are required as soon as possible. As a result, the Committee urges the Scottish Government not to wait until the publication of the statement to begin to address these issues.

The Scottish Government published the Interim Purpose and Principles for the Post School Education, Skills and Research ecosystem on 9 December.

The publication sets out and seeks views on the interim Purpose and Principles, developed on the basis of feedback from previous research, reports and engagement, that the Scottish Government believes must guide decision making in the face of a challenging set of imperatives for reform. Underneath each of the principles are a series of topics that have emerged during the early phases of engagement and require further debate and reflection to consider how to ensure that post-school education, skills and research in Scotland minimises duplication, maximises delivery and impact and is financially sustainable and fit for the future.

The next phase of engagement and discussion is about reaching clarity on what we value, and a clear position on where our collective future focus needs to be. This will be reflected in the final Purpose and Principles to be published in the spring, alongside evidence and insights papers and an implementation plan setting out next steps.

As set out above, work to explore and address the key issues highlighted by the Committee is already underway, informed by this ongoing discussion.

RESEARCH FUNDING

The Committee asks the Scottish Government to closely monitor Scotland's share of Research Council funding in relation to other nations of the UK and to consider what actions can be taken to ensure that Scottish universities are well positioned to continue to produce world-leading research.

Scotland has historically demonstrated a progressive approach to investment and been successful in securing additional funding, leading to it ranking first among the OECD countries for our Higher Education Research and Development (HERD) (public and private) spend as a percentage of GDP in 2020 (1.06%), above 0.43% in the OECD, 0.66% in the UK, and 0.49% for EU27.

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We remain committed to research, even in an extremely tough fiscal environment, recognising the vital role our research community play in delivering Scotland's ambitions. The Scottish Government increased baselined grants for university research and innovation via SFC for 2022-23 to £299 million, with levels maintained for 2023-2024. This will act as both a base investment and a tool for universities to leverage external research funding from public, private and charity sources.

In addition to core funding, the Scottish Government funds a portfolio of knowledge exchange and innovation investments; including the University Innovation Fund (UIF), Innovation Centres, Interface and Alliances for Research Challenges (ARCs).

Scotland has a rich and competitive research and innovation system – with the most recent Research Excellence Framework finding that there is world-leading (4*) research in every Scottish university, unlike the assessment of English institutions. As helpfully highlighted by the Committee, this means Scottish institutions are highly successful in securing UKRI funding for research. Scottish researchers have consistently won a greater share of funding compared with the population share across the seven UKRI Research Councils, reflecting the depth, breadth and quality of our research expertise.

We also continue to engage with UKRI to ensure the interests of the research and innovation community are taken account of and position ourselves to take full advantage of UKRI opportunities.

INTERNATIONAL STUDENT FEES/SUSTAINABILITY OF UNIVERSITIES

The Committee recognises the key role played by universities in developing skills and contributing to the Scottish economy. The Committee asks the Scottish Government how it plans to ensure long-term sustainability and mitigate the risks of reliance on income from international student fees and to allow longer-term planning within the sector.

Universities and colleges play a vital role in providing opportunities for learners to develop the knowledge and skills they will require to contribute to the economy and society of Scotland, and to enjoy rewarding careers. The Scottish Government welcomes International students who come to our world-class institutions and make an important and valuable contribution to our economy, educational environment and society.

Universities are autonomous institutions, responsible for their own entry requirements and admissions policies and, with the exception of controlled subjects, the Scottish Government does not direct individual universities on the allocation of places for International students or funded places for eligible Scottish students. It is for the universities to decide how to distribute their funded and unfunded places between faculties and courses.

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Our investment in Scotland's tertiary education sectors via the Scottish Funding Council ensures that Scottish domiciled students benefit from free tuition at our world-class universities, with over 35,000 students securing a place this year, according to UCAS data.

The Scottish Government continues to work closely with the Scottish Funding Council to deliver sustainable funding for our universities and colleges.

WIDENING ACCESS

Without adequate support widening access students are especially at risk of not completing their studies. It is vital that students from the most disadvantaged backgrounds are supported to complete their studies. The Committee would welcome further information from the Scottish Government on how universities will be funded through the forthcoming budget to support and monitor students from SIMD20 areas.

It is important to acknowledge that 43% of entrants from SIMD20 came through a college route and any funding, monitoring and budgetary considerations relating to SIMD20 students should encompass both the college and university sector.

We remain absolutely committed to the principle that access to education should be based on the ability to learn, and not the ability to pay, and we will continue to work with the sector to maintain our commitment to the widening access agenda. We also remain committed to providing all students, especially those from our most deprived communities, with the financial support they need to succeed.

We view articulation from college to university as a key route into degree level study for many learners from disadvantaged backgrounds. We continue to work with colleges and universities to improve the opportunities for college students to articulate into all our universities. We welcome the challenge posed by the outgoing Commissioner for Fair Access for universities to do more to recognise the qualifications gained by college students and continue to monitor progress in this area.

We are aware that Scotland's colleges give those with the greatest barriers to learning the opportunity to fulfil their potential - in 2020-21, 16.3% of learning hours were delivered to students from the 10% most deprived areas.

The SFC reports there was a record high proportion (91.0%) of college qualifiers who left the sector for a positive destination in 2020-21, with a record low (9.0%) unemployed or unavailable to work (both representing improvements of 3.4 percentage points from 2015-16, when comparable records began).³

We have provided £135m in student support for FE students attending college in the current academic year. Colleges can use these funds flexibly to meet demand

³ [College Leaver Destinations 2020-21 \(sfc.ac.uk\)](https://www.sfc.ac.uk/college-leaver-destinations-2020-21)

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across FE student bursaries, childcare and hardship funding. Colleges are leading the way in facilitating direct actions and interventions which have positive impacts on aspects of socio-economic disadvantage affecting learners and their broader communities. Through college student support services, learners can access resources to help stay the course of their studies leading to positive and sustainable outcomes.

Clearly this is a challenging time for many students, we have provided £16.8m in hardship funding to colleges and universities for the current academic year to support HE students experiencing financial hardship. Hardship funding can be used to provide individual students with additional financial support to help towards basic or essential living costs such as; accommodation, household bills or childcare.

The Minister for Higher Education, Further Education, Youth Employment and Training remains in close contact with College and University Principals to urge them to continue to prioritise the allocation of hardship funds to those students most in need, and to take account of the impact of rising energy bills.

The SG continues to work closely with the SFC and colleges and universities to deliver sustainable funding and support them in widening access, across all areas of Scotland.

COST OF LIVING AND HOUSING

The Committee would welcome clarification from the Scottish Government on where the responsibility lies to ensure students have access to housing. The Committee also asks the Scottish Government to provide a timescale for the completion of its review of purpose-built student accommodation.

The Scottish Government has no direct role in placement of students in accommodation or in the provision of student accommodation. There is no legislative requirement on universities to provide accommodation for students. It is for individual students to arrange suitable accommodation. However, the majority of universities guarantee accommodation for first year undergraduate students who apply by the university's deadline. All universities also have support services in place to help students find suitable accommodation (in either Purpose-Built Student Accommodation (PBSA) or within the private rented sector).

In the Programme for Government 2020-21, the Scottish Government committed to a review of PBSA in the context of the significant growth in PBSA and Covid 19. The UK Collaborative Centre for Housing Evidence (CaCHE) was awarded the contract to undertake independent research to broaden the depth of research on the subject area, and to inform any recommendations that the Review Group may choose to make to Scottish Government. This report has now been completed and was published on 12 December 2022. The PBSA Review Steering Group will consider

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the findings of the report and will submit any recommendations to Ministers early in 2023.

MENTAL HEALTH

The Committee asks the Scottish Government to provide an update on the funding of additional counsellors in colleges and universities. The Committee also notes the forthcoming Student Mental Health plan and asks that the Scottish Government provide a timescale for its publication.

Over the last three academic years Scottish Government, through the Scottish Funding Council, has invested more than £11.5 million across colleges and universities to help introduce 89 additional counsellors. This exceeds our Programme for Government commitment. We will confirm the final funding levels for this shortly for both the financial year 22-23, which will cover the main part of academic year 22-23, and also for financial year 23-24, which would be for the final part of the academic year 22-23 (April to July 2023).

We have established a Student Mental Health and Wellbeing Working Group, chaired by the Minister for Higher Education, Further Education, Youth Employment and Training to drive forward the development of a Student Mental Health Plan. This will provide a framework for mental health services in universities and colleges. The Plan, which we aim to publish in spring 2023, will form part of the wider Scottish Government Mental Health and Wellbeing Strategy, currently also under development.

EARLY LEARNING AND CHILDCARE

The Committee recommends that a mapping exercise is carried out to establish: hourly rates paid to staff across both local authorities and the PVI sector; the extent to which staff are moving from jobs in the PVI sector into local authorities and the monetary value of in-kind support provided to the PVI sector. This would allow the Scottish Government to establish whether there is a risk to the delivery of the 1140 policy due to staff capacity in the PVI sector.

We continue to maintain a robust but proportionate means of monitoring the financial sustainability of the public, private, third and childminding sectors to ensure that both national and local policy is informed by up-to-date evidence about the health of the sector - including monitoring workforce trends across the sector.

To inform this we will be taking forward an update of the Financial Sustainability Health Check in early 2023, which will include questions relating to the workforce in the private, third and childminding sectors. The updated Health Check reports will be published in Spring 2023.

Information on staff movement across different parts of the sector is not collected in a consistent way across all local authorities, which means it would be of limited value

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for national monitoring. Currently no data is available on the movement of staff across the sector. The Scottish Government has therefore asked the Scottish Social Services Council (SSSC), who is responsible for collecting relevant information, to explore the possibility of providing data on the movement of staff.

The Committee asks the Scottish Government to provide an update on when it expects to publish the results of its review of setting rates outlined in its recent Strategic [childcare] Plan.

The Scottish Government and COSLA are undertaking a review of the overall process for setting sustainable rates in 2022-23. This is with the intention of learning lessons to identify where the process can be improved further to ensure that rates reflect the costs of delivering funded ELC and payment of the real Living Wage to staff.

This review will also inform what further action may need to be taken ahead of the next financial year and the wider approach to rate setting over the rest of this Parliament, including any required updates to the supporting sustainable rates guidance.

We will set out further information in spring 2023.

The Scottish Government is also committed to collecting and monitoring data on the sustainable rates set by local authorities and we are currently collating information from local authorities on the rates they have set for 2022-23. We will publish this information in December.

The Committee notes that the new data sharing arrangements will allow local authorities to target information about eligibility to households with 2 year-olds eligible for funded ELC. The Committee asks the Scottish Government to set out how this data sharing will work in practice and what further measures will be put in place to improve uptake among eligible 2 year-olds.

With the relevant UK-level Regulations coming into force on 26 October, Scottish Ministers can now enter into data sharing agreements with the relevant UK bodies for the purpose set out in the Regulations, allowing Scottish local authorities to target information on the 2 year old offer to eligible families. We aim to be in a position that data will be available to Scottish local authorities before the end of the 2022-23 financial year.

Local authorities will then be able to access lists of eligible families that meet eligibility criteria three times a year on a secure digital platform. The data local authorities receive is the minimum needed for them to fulfil the purpose of writing out to eligible families. The data cannot be used for any other purpose.

We have been progressing work to prepare partners and processes for the data share itself, at the same time as the Regulations were going through the UK Parliamentary process. This includes:

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- Developing data sharing agreements with DWP and HMRC
- Developing a mechanism for the data to be shared with local authorities
- Preparing local authorities to receive and make best use of the data when they receive it.

We have also been working with the Improvement Service throughout 2022/23 to support local authorities with maximising uptake for their local 2 year old offer. This has included one-to-one discussions with local authorities who have requested support; and providing opportunities for all local authorities to access information about the data sharing project and to consider how they will make best use of the data when they receive it. We held a workshop in November for all local authorities and are planning another for early 2023 before the data sharing commences.

The Committee asks the Scottish Government how it is monitoring the extent to which 1140 hours is achieving the flexibility for parents and carers that the policy envisioned, and how they will ensure, whilst recognising geographical and regional variations, that best practice is achieved across Scotland.

Our ELC Expansion Evaluation Strategy sets out how we will evaluate the intermediate outcomes of the ELC expansion at a national level, including delivering high quality, flexible, accessible and affordable ELC for all three and four year olds and eligible two year olds. It sets out measures and data sources that will be used to evaluate changes in the flexibility of funded ELC.

In addition, a parent survey was undertaken in April-May 2022 to provide more detailed information on parents' views and experiences of 1140 hours of ELC after August 2021, including flexibility of provision expected to be publish in the next few weeks. This is a follow up to a 2017 parent survey, which provided baseline data. Qualitative research with parents was also undertaken during 2021-22 to explore parents' decisions about and experiences of using expanded ELC, including in relation to accessibility and flexibility.

The Committee notes the publication of the evaluation strategy and asks the Scottish Government to provide an update and a timeline on how it is working with local authorities to support local assessment of ELC's contribution to outcomes under the three aims of the programme.

Our ELC Expansion Evaluation Strategy sets out at a national level how we will assess the contribution of the policy change to outcomes for children, parents and families.

Our Strategic Childcare Plan confirms that we are committed to working with our partners in the sector to develop an outcomes and measurement framework for funded ELC by 2025 - jointly owned by Scottish Government and local government - which will provide evidence to support service delivery both nationally and locally, offer greater transparency and assurance, and help ensure value for money. Work

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on this project is at an early stage, and we are currently developing a joint project plan with COSLA, which will set out the specific milestones that will be delivered. We would be happy to provide more information about this work to the Committee as it develops.

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