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Convener
Education Children and Young People Committee

Via email: ecyp.committee@parliament.scot

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Dear Convener,

Pre-Budget Scrutiny 2024-25

Thank you for your letter of 2 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.

As you will be aware the resource allocation announced in the Budget for 2024-25 for Education and Skills is £3,117 million and the capital allocation is £555 million. The resource allocation shows a £128 million uplift against 2023-24, which is the equivalent of 4.3%.

However, this is not to diminish the extremely challenging backdrop to this Budget, and I have had to prioritise legal and contractual obligations in determining how to deploy this budget. That includes incorporating £242 million to fund the existing teachers' pay settlement.

It goes without saying that our children, young people, families and learners of all ages continue to be a key priority for this Government. Within the E&S portfolio I am using this allocation to prioritise excellence and equity in education and skills, including efforts to reduce the poverty-related attainment gap and to support our wider national mission to tackle child poverty.

I am due to appear at Committee on the 17 January 2024 and will look forward to discussing these issues in more detail then.

Yours sincerely

Jenny Gilruth MSP

Further and Higher Education Spending

Our Post-School research, education and skills system is part of Scotland's critical national infrastructure. We remain committed to supporting further and higher education, including apprenticeships and have brought forward details on how reform of the system can support continued provision of quality opportunities for learners and help to meet Scotland's economic and societal needs. The Scottish Government is facing the most challenging financial environment since devolution, meaning that very difficult decisions across portfolios have had to be made. These include not maintaining flat-cash resource allocations, though we have been able to prioritise and increase capital allocations for both colleges and universities, safeguarding investment in quality research and innovation across Scotland. This is integral to achieving Scotland's ambitions and enables institutions to draw in investment from other sources. Universities receive almost 75% or £800 million of their research and innovation income from other sources (public and private).

In taking these difficult decisions, our focus has been to minimise the impact on frontline allocations for learning and teaching and support for students. We know that many students are facing significant cost of living pressures. We also recognise the range of financial challenges across the sector which colleges and universities are managing. For colleges, these challenges are being examined in detail by the Public Audit Committee, following Audit Scotland's annual report on colleges for 2023. We will continue to work closely with the Scottish Funding Council, Skills Development Scotland and the Student Awards Agency for Scotland as well as individual institutions and other partners and stakeholders to agree how we can best work together to respond to both the necessity and opportunities for reform.

Further Education Spending

SFC's Outcome Agreement Guidance sets out an expectation on the part of institutions to assess demand and secure learning and skills provision that balances the needs of students, employers, and their local economy and society. They are asked to set out their work to secure coherent learning provision planning and delivery, including information on how they are using data and intelligence and engaging with stakeholders to adapt, develop and align provision to meet the needs of students, industry and other stakeholders.

Furthermore, the Code of Good Governance for Scotland's Colleges states that college boards 'must seek to secure coherent provision for students, having regard to other provision in the region or college's locality'.

All operational decisions, including staff numbers are a matter for individual colleges. Scottish Government does not hold, or have access to, staffing information for any institution.

Flexibilities

The Scottish Government has just embarked on a period of significant reform which provides both challenges and opportunities to the college sector. We are working with the college sector and the Scottish Funding Council (SFC), through a newly established Tri-Partite Group to consider any remaining opportunity to provide colleges with additional financial flexibilities while ensuring public accountability.

It's too early in the academic year to say in detail how colleges are using the flexibilities that were introduced to the funding model for 2023-24. However, feedback from the Colleges Tripartite Group suggests that colleges are already seeing the benefits of the changes that have been introduced.

Industrial relations

The future financial position remains exceptionally challenging; however, it is for each individual college to determine how best to secure its sustainability while continuing to deliver provision to meet regional needs - this includes decisions around resourcing and staffing levels.

The figures quoted in your letter are figures College Employers Scotland have used for illustrative purposes to highlight the impact of the pay claim, should no other savings be found within the sector. This number, in the raw sense, is the average salary in the sector, plus on costs, divided by the cost of the pay claim, and not a true analysis of projected job losses across the sector.

College Employers Scotland have never directly forecast a specific number of job losses linked to the current pay offer, and they have sought to provide re-assurance on job security, to campus trade unions, in their formal written offers.

Redundancy processes at colleges

The Scottish Funding Council (SFC) are responsible for monitoring the financial sustainability of colleges and part of this role is to ensure that exit schemes, such as voluntary severance schemes and settlement agreements, comply with Scottish Public Finance Manual requirements and the SFC institutional guidance.

It is the SFC's role to scrutinise college exit schemes, as part of the accountability process between the SFC and colleges, which is underpinned by the SFC's Financial Memorandum. This in turn reflects the Scottish Public Finance Manual requirements in this area and ensures that the SFC make robust decisions.

The SFC's [Guidance on seeking approval for severance schemes and settlement agreements](#) has been communicated to the sector and can be found on the SFC's website.

In situations when a college is considering compulsory redundancies, Scottish Ministers expect colleges to consult with the SFC at the earliest opportunity, as outlined in the SFC's institutional guidance. It is important to recognise that there is no requirement for colleges to submit a business case or seek approval from the SFC when proceeding with compulsory redundancies. Scottish Ministers have been clear in communications with colleges that we expect them to work with their staff and trade union representatives to fully consider all options before turning to compulsory redundancies, and that employees should be treated fairly in line with Fair Work principles and contractual and employment rights.

From 1 April 2014, FE institutions have been classified as public sector bodies and treated as Arm's Length Bodies for public sector accounting and budgeting purposes. As such they are responsible for their own financial sustainability, within the controls of the Scottish Public Finance Manual and the SFC's Financial Memorandum. The exception to this is that public sector pay policy does not apply to colleges, but they are required to have regard to it. The view taken in April 2014, which is still our view, is that the college sector should not be subject to PSPP, as the current level of government control over colleges is at an appropriate level. This ensures that the national pay bargaining body is responsible and accountable for reaching pay settlements in consultation with the sector.

We will continue to monitor the current arrangements that are in place and will take a considered approach should there be a need to review the colleges classification or pay policy in the future.

Local Government Funding for Education

You also ask about how funding that remains ringfenced should be updated. Addressing this can take many forms. For example, in relation to early learning and childcare (ELC) funding, your letter reflects the evidence you heard that the specific revenue grant has not been updated in recent years. As I am sure the Committee would expect, the ELC settlement must reflect the costs of delivery. We take a collaborative approach to working with local government to understand the costs of delivering funded ELC, as well as what a sustainable settlement looks like. We engage regularly with local government Directors of Finance and other key stakeholders through the ELC Finance Working Group, which we jointly chair with COSLA. This has included discussion of the drivers of ELC funding - in particular the number of eligible children in the system. We have also made generous assumptions about funding for our policy priorities identified in discussion with COSLA, including taking account of inflationary pressures. For example, we provide funding for every child to take up all 1140 hours, allowing capacity for greater flexibility in the offer than the latest uptake data suggests. In August 2023, the ELC Finance Working Group agreed that the total funding of £996.5m set out in the Budget, across both specific and general revenue grants, was sufficient to meet the costs of ELC delivery in 2024-25

More broadly, it is worth citing that this budget provides £13.9 billion for Local Government, and included within that is the baselining of £950.9m of previously ringfenced and directed funding as part of the Verity House Agreement. £564m of this comes from the Education & Skills portfolio, including the £522m for ELC which was previously ring-fenced.

You also stress the need for evidence-based decisions, and particularly at times of financial constraint, to ensure the most effective use of funding. On this point I unequivocally agree. As well as the aggregate impact, that includes drawing on evidence to understand distributional impacts. Our Equalities and Fairer Scotland Budget Statement articulates those in some detail.

You cite the particular example of evidence related to free school meals of education and wellbeing. I confirm that the Scottish Government is working closely in partnership with local authorities on arrangements for the delivery of our commitments, and we will consider evaluation of our approach as part of this.

We are prioritising our budget towards our aim to ensure excellence and equity in education and skills, including reducing the poverty-related attainment gap and to support our wider national mission to tackle child poverty. We will continue to deliver free school meals for all children in primary 1 – 5 and special schools.

The next phase of our expansion of Free School Meals will be targeted to children in primary 6 and 7 who are in receipt of the Scottish Child Payment in the first instance, with £43m of necessary capital investment to expand facilities and provision to begin during 2024-25.

Early Learning and Childcare

In relation to early learning and childcare (ELC), I am pleased that your letter acknowledges Audit Scotland's assessment that the Scottish Government and councils did well to deliver the policy by August 2021 despite the challenges of the pandemic. You also highlight that we are seeing very high levels of up-take for the universal component of the programme, and that most parents are satisfied with both the quality and flexibility of provision available to them.

I do recognise the concerns that both Audit Scotland and the Committee have set out about the financial sustainability of providers in the private, voluntary and independent (PVI) sector. The pandemic, costs crisis and Brexit have had an impact on the whole childcare sector - alongside other parts of Scotland's economy - which have led to challenges relating providers' financial sustainability and workforce. The Scottish Government has been and is continuing to take action to support the sector to respond to these challenges. That includes through legislating to continue the Nursery Rates Relief Scheme, our work to support improvements in the payment of sustainable rates and our commitment to increase pay to £12 per hour for ELC professionals working in the PVI sector who are delivering funded provision.

Your letter asks specifically about progress with the review of the sustainable rate setting process, which the Scottish Government carried out jointly with COSLA. I am pleased to confirm that I expect the review to be published on 20 December and both the Minister for Children, Young People and Keeping the Promise and I will consider its findings carefully when this takes place.

Your letter also asks about my approach to taking forward our childcare expansion commitments from the 2023-24 Programme for Government. In the last year we have made good progress on our work to build a system of School Age Childcare, including delivering a range of funded school age childcare services targeted towards the priority families as set out in Best Start, Bright Futures. This has included focused work in early adopter communities, access to childcare projects and a partnership with the Scottish Football Association delivering around 3800 places. We have also carried out a literature review and audit of service provision for children aged 0-3 which we expect to publish soon, alongside carrying out engagement with key stakeholders.

As your letter recognises, the Scottish Government is currently facing the most challenging context for our public finances since devolution. Given these challenges, I am pleased that through the Budget we have been able to provide funding to meet our commitments to pay £12 an hour to PVI professionals delivering funded ELC and expand our successful childminder recruitment pilots from April 2024.

In the coming year we will also continue the planning and development work needed to build a system of school age childcare and an expansion of early learning and childcare to more families with a two-year-old, taking the lessons from the next phase of work in the early adopter communities.

Teacher Numbers

Your letter states that the Committee firmly believes that there should be a focus on outcomes. I too am focused on delivering better outcomes for our children and young people. Our ambition to substantially eliminate the poverty related attainment gap is clear. I do not believe that this will be achieved by having fewer teachers in our schools, and it is for this reason that I am taking action to protect teacher numbers.

However, I do recognise there is a continuing challenge around the recruitment of teachers in certain geographical areas, and in certain subjects. That is why I have asked the Strategic Board for Teacher Education, which is made up of a range of key education stakeholders, to look in detail at issues around the recruitment and retention of teachers in Scotland. This will include geographical and subject-specific issues, as well as how we can increase diversity within the profession and improve support for early career teachers.

I fully recognise the challenges we are currently facing in relation to teacher recruitment and, under the context of the Verity House Agreement, it is vitally important that we continue to work closely with local government to overcome those challenges.

I would like to assure the Committee that I remain committed to delivering a reduction in class contact time for our teachers. This commitment was made in response to one of the core recommendations of the OECD review of Curriculum for Excellence, and reducing class contact time will benefit both teachers and children and young people.

The external analysis and research exercise that I have commissioned (the audit) will help inform our thinking on this. This work is due to conclude early in the New Year. I want to ensure that we have an education workforce in place that enables us to progress our commitments to raising attainment overall, closing the poverty related attainment gap and improving additional support for learning while also delivering maximum value for money, and this work will be vital to informing that.

In the meantime we will continue our discussions with the Scottish Negotiating Committee for Teachers on how best we can progress the vital commitment to reducing class contact time.

Teacher and local government pay awards

Following the conclusion of the Local Government pay negotiations, Scottish Government will work with COSLA to agree a reprofiling of Local Government's 2024-25 contribution of £7 million to Scotland's Redress Scheme. Reprofiling of their 2024-25 contribution will have no detrimental impact on the operation of the Scheme, including redress payments to survivors, with the Scottish Government ensuring sufficient funding is available in the interim. Local Government collectively maintain their agreed overall total contribution of £100 m and there are no plans to adopt this process in future years.

This budget sets out that the Scottish Government will fund £242m towards the cost of pay deals for our teachers, the most recent of which has a cumulative value of 14.6% over 28 months (March 2022-August 2024). As we have said consistently, we have had to reprioritise budget to meet this cost. This includes a combination of an uplift to the portfolio budget and reprofiling within it. However, we know that high quality learning and teaching delivers the biggest impact for our children and young people, and this historic pay deal will help us to both recruit and retain highly skilled professionals.

Additional support needs funding

The Scottish Government as part of its consideration of the Actions within the ASL Action Plan is considering the development of a measurement framework. This work considers the outcomes of children and young people from a range of perspectives and seeks to provide an agreed and consistent approach to the recognition and reporting of young people's outcomes, through data. This work is ongoing, along with our continued investment of an additional £15m per year, which helps schools to respond to the individual needs of children and young people and supports the highest recorded level of pupil support assistants employed in our schools. The Scottish Government and COSLA will provide a fuller update on this approach as part of its reporting on the delivery of actions in the action plan in May 2024.

Scottish Attainment Challenge funding

We continue to invest in the Scottish Attainment Challenge and its key programmes of Pupil Equity Funding, Strategic Equity Funding and Care Experienced Children and Young People funding. This investment continues to empower headteachers and local government to identify and implement local, evidence-based approaches to improving outcomes for children and young people impacted by poverty as they work to make further progress in closing the poverty-related attainment gap.

The Committee asked about the future of Pupil Equity Funding and potential alternative measures or datasets to determine allocations. This Government is clear in its commitment to the SAC programme in its current form until the end of this parliamentary term. Early work has commenced to consider what may follow, including the potential data sources for distribution of any funding, noting of course that this would be into the next parliamentary term and a decision for the next government.

Priorities

As you have highlighted, the Medium Term Financial Strategy and other sources all indicate that the financial situation facing the Scottish Government is expected to remain similarly challenging over the medium-term. You will also know that the Scottish Government must ensure it delivers against the fiscal rule set by the UK Government, and is also required under Scottish legislation to balance the budget each year.

This budget, therefore, sets out our priorities in that context and focuses resources on those areas where they have the most impact on outcomes for children, young people and adult learners. We continue to provide funding for all core and essential services, including contractual and statutory commitments, and the range of public bodies / agencies that the portfolio sponsors.

Thereafter, we continue to invest in prevention and early intervention through our early learning and childcare offer and wider family support. We remain committed to keeping The Promise to Scotland's care-experienced children and young people, and we will continue our delivery of the Whole Family Wellbeing programme to deliver preventative holistic family support across Children's Services Planning Partnerships. In addition to ongoing activity, the Budget now fully funds our commitment to pay staff in the private, voluntary and independent (PVI) sectors delivering early learning and childcare (ELC) and children's social care £12/hour.

We are investing over £387m in our teacher workforce. This includes £145m to maintain teacher numbers, as well as £242m as part of teachers' pay settlements that help make Scottish teachers the best paid in the UK. In addition, we continue with our investment of £1bn into the Scottish Attainment Challenge over the course of this Parliament, as we continue to close the poverty related attainment gap.

In the Post-School system, we are providing £1.44bn of resource through the Scottish Funding Council and a further £305m through student support and tuition fee payments. This will provide opportunities for people to learn and develop their skills through further and higher education, including apprenticeships, and continue with our longstanding commitment to free tuition. We are also providing vital financial support to students to support them in completing their studies in the face of significant cost of living pressures. As we progress with reform of the Post-School system, our aim is to ensure that even more of the investment that we make works directly to benefit students and employers, as well as meeting the needs of our economy and society by moving the system to a more sustainable footing.

Regarding capital investment, and as the Committee recommends, we are making sure that constrained budgets deliver maximum impact for those who stand to benefit most. The next phase of our expansion of Free School Meals will be targeted in the first instance to children in primary 6 and 7 who are in receipt of the Scottish Child Payment. We will also invest £10 million capital in targeted device and connectivity provision for our most disadvantaged households with children. This will bring a range of benefits for families struggling with the cost-of-living crisis while also tackling digital exclusion amongst our most deprived learners.

In addition, we are providing £357m of capital to Higher Education Institutions, which will maintain Scotland's reputation for world-leading research and makes a crucial contribution economic recovery and green growth.