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Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
Scottish Parliament
Edinburgh
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28 January 2025

Dear Kenneth

I am writing to provide the Committee with an updated cost estimate for the introduction of the Education (Scotland) Bill.

The financial implications of the Bill were considered through the Financial Memorandum which was published as an accompanying document to the Bill on 4 June 2024. As part of our routine budget monitoring, financial forecasting and in-depth discussions with both the Scottish Qualifications Authority (SQA) and Education Scotland, the costs have continued to be developed and a more accurate and up to date assessment is now available.

The Financial Memorandum indicated the introduction of the Bill would initially cost between £1.1 and £3.6 million in 2025-26. Our current assessment is that the total will be £700,000 in 2024/25, with estimated costs between £3.0 and £4.0 million in 2025/26. Annex A provides a breakdown of the total costs as set out in the Financial Memorandum and the revised costs for comparison. Details of the changes are set out below.

This revised assessment highlights an additional spend of £700,000 allocated to the SQA in this financial year (£100,000 capital and £600,000 resource) and an estimated increase of between £1.9 and £2.2 million in 2025/26, made up of between £200,000 and £300,000 capital and £1.7 and £1.9 million resource, to support transitional requirements across both the SQA and Education Scotland.

These incurred and estimated costs relate to the essential activity required to ensure transition to the new organisations. Without funding this activity, the SQA and Education Scotland/HMIE would be unable to undertake work needed to establish the new bodies by Autumn 2025, whilst also continuing to deliver their statutory functions.

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The transition costs for the SQA to Qualifications Scotland make up most of the revised estimates. When preparing the published Financial Memorandum, lower staff and resource costs associated with the transition to Qualifications Scotland were originally anticipated. We have, in conjunction with the SQA, conducted further evaluation of the costs which has led to revised estimates.

The largest proportion of these transition costs relate to the resource (partner and staff) spend needed to implement changes as a result of creating the new organisation, standing at around £2.3 million over 2024/25 and 2025/26. Approximately £1.3 million of this relates to the specialist partner skills being procured to update business systems and digital infrastructure to ensure the organisation is functional from its establishment date. This work is in part a consequence of name and anticipated identity changes, and also reflects the need to design, develop and test digital products to ensure they work as required. The remaining £1 million is linked to additional staff resource needed to support transition focused work whilst the SQA continues to ensure qualifications and assessment can be delivered and awarded over the current examination year.

There have also been adjustments made to the recurring costs of Qualifications Scotland and the savings from cessation of the SQA in 2025-26. In the published Financial Memorandum the costs in 2025-26 were calculated on the basis of Qualifications Scotland operating from September 2025, therefore seven months of the financial year. We now expect Qualifications Scotland to be operating from November 2025 so the costs and subsequent savings have been adjusted on the basis of five months of the financial year.

While there has been an overall increase in cost of the Bill, there have been reductions across a range of different areas. This includes a reduction of around £200,000 in Scottish Government resource for 2026/27; a reduction of between £600,000 and £1.1 million recurring per annum on the initial estate cost estimates for HMIE (from 2026/27 onwards); and a real reduction of around £100,000 of spend related to the development of identities for Qualifications Scotland and HMIE.

While there have been ongoing discussions with Education Scotland, and some small adjustments have been made to the estimated costs included in the revised figures, the Committee will wish to be aware that further detailed considerations are still taking place in respect of transition costs associated with the setting up of the Chief Inspector's office which may result in further refinements to the estimated costs.

However, it should be noted that the changes set out in this letter remain our best estimates based on available information and will continue to be refined within budget constraints. These revisions along with any further cost considerations required in respect of stage 2 amendments will be set out in a revised Financial Memorandum to be submitted after the Bill completes stage 2.

I hope you find this information helpful.

JENNY GILRUTH

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ANNEX A – SUMMARY OF CHANGES IN FINANCIAL MEMORANDUM

TABLE 1: Total Costs of Bill to Scottish Administration in published Financial Memorandum

Total Costs of Bill to Scottish Administration		2025/26	2026/27	2027/28	2028/29
Total savings from cessation of SQA (£000s)	Low	-30,268	-52,609	-54,002	-55,445
	High	-35,367	-61,454	-63,100	-64,807
Total savings of Inspectorate function moving away from Education Scotland (£000s)	Low	-8,379	-14,652	-14,945	-15,244
	High	-10,242	-17,908	-18,267	-18,632
New Qualifications Body One-off Costs (£000s)	Low	854	169	0	0
	High	1,194	209	0	0
New Independent Inspectorate One-off Costs (£000s)	Low	434	124	0	0
	High	846	185	0	0
New Qualifications Body Recurring Costs (£000s)	Low	29,030	50,455	51,786	53,164
	High	35,435	61,573	63,222	64,931
New Independent Inspectorate Recurring Costs (£000s)	Low	9,465	16,582	16,949	17,323
	High	11,746	26,261	26,839	27,430
Total costs	Low	1,136	69	-212	-202
	High	3,612	8,866	8,694	8,922

TABLE 2: Revised Total Costs of Bill to Scottish Administration

Total Costs of Bill to Scottish Administration		2024-25*	2025/26	2026/27	2027/28	2028/29
Total savings from cessation of SQA (£000s)	Low	0	-21,620	-52,609	-54,002	-55,445
	High	0	-26,424	-61,454	-63,100	-64,807
Total savings of Inspectorate function moving away from Education Scotland (£000s)	Low	0	-8,379	-14,652	-14,945	-15,244
	High	0	-10,242	-17,908	-18,267	-18,632
New Qualifications Body One-off Costs (£000s)	Low	700	2,743	0	0	0
	High	700	3,352	0	0	0
New Independent Inspectorate One-off Costs (£000s)	Low	0	424	124	0	0
	High	0	833	185	0	0
New Qualifications Body Recurring Costs (£000s)	Low	0	20,755	50,455	51,786	53,164
	High	0	25,330	61,573	63,222	64,931
New Independent Inspectorate Recurring Costs (£000s)	Low	0	9,106	15,956	16,310	16,672
	High	0	11,129	25,184	25,470	26,309
Total costs	Low	700	3,029	-726	-851	-853
	High	700	3,978	7,580	7,325	7,801

*This relates to the costs mentioned in paragraph three

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