

# Education (Scotland) Bill

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## Financial Memorandum

### Introduction

1. As required under Rule 9.3.2 of the Parliament's Standing Orders, this Financial Memorandum is published to accompany the Education (Scotland) Bill introduced in the Scottish Parliament on 4 June 2024.
2. The following other accompanying documents are published separately:
  - Explanatory Notes (SP Bill 49–EN);
  - a Policy Memorandum (SP Bill 49–PM);
  - a Delegated Powers Memorandum (SP Bill 49–DPM);
  - statements on legislative competence made by the Presiding Officer and the Scottish Government (SP Bill 49–LC).
3. This Financial Memorandum has been prepared by the Scottish Government to set out the costs associated with the measures introduced by the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.
4. This Memorandum is structured as follows:
  - Overview
    - Bill background
    - Continuity of funding
    - Education reform programme
    - Approach to cost estimates
    - Summary of financial implications
    - Overall establishment costs of funding of Bill provisions
  - Part 1 – Costs of Qualifications Scotland
    - Establishment
      - One-off costs on the Scottish Administration (staff, estate, branding/ website, staff transfer)
      - One-off costs on local authorities
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- Recurring costs on the Scottish Administration (staff, estate, branding/ website, staff transfer)
- Recurring costs on local authorities
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- Part 2 – Costs of HM Chief Inspector of Education
  - Establishment
    - One-off costs on the Scottish Administration (staff, estate, branding/ website, staff transfer)
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    - One-off costs on other individuals, bodies and businesses
  - Functions
    - Recurring costs on the Scottish Administration (staff, estate, branding/ website, staff transfer)
    - Recurring costs on local authorities
    - Recurring costs on other individuals, bodies and businesses

## Overview

### Bill background

5. The Bill provides the legal underpinning to support the design and delivery of a national organisational infrastructure for education in Scotland that more effectively supports the system to deliver the vision for education in Scotland. The intention is to support the right balance of responsibility and autonomy between the different parts of the education system, including national and local government, national education bodies and schools themselves. The Scottish Government is taking forward work to develop and agree the bodies' structures and operations based on the underpinning provisions in the legislation.

6. The Bill is in two substantive parts. Part 1 establishes a new qualifications body, to be known as Qualifications Scotland (Teisteanasan Alba), to replace the Scottish Qualifications Authority (SQA). It will be set up as a Non-departmental Public Body (NDPB), including appropriate governance arrangements and statutory functions. As an operationally independent organisation, the Bill provisions are primarily aimed at setting the legal structures for how Qualifications Scotland will be able to operate. A detailed framework is being developed in parallel as part of the operational design of the new body.

7. Part 2 establishes the office of His Majesty's Chief Inspector of Education in Scotland (Àrd-Neach-sgrùdaidh an Rìgh airson Foghlam ann an Alba) ('Chief Inspector'). The statutory functions will be conferred on the Chief Inspector and the Chief Inspector will lead a new independent education inspectorate, to take forward the education inspection functions that currently sit within Education Scotland. The Bill will set out the governance arrangements and statutory functions necessary in relation to the full range of educational establishments and services currently inspected, from early years to adult learning.

## Continuity of funding

8. The functions of the new qualifications body and independent inspectorate are currently carried out by existing organisations funded by the Scottish Government, namely the SQA and Education Scotland respectively. The SQA also funds its activities through income derived by levies and international commercial activity – see Part 1 ‘Costs to local authorities’ and ‘Costs to other individuals, bodies and businesses’. The costs of the SQA and the inspection function within Education Scotland will no longer arise, and the new bodies are expected to carry out broadly similar functions; consequently the recurring costs for the new bodies are in the most part expected to be similar – notwithstanding one-off costs and some additional recurring costs. The cessation of costs from the existing bodies are therefore shown as savings alongside the new bodies’ costs in the relevant tables. Additional funding (a total of £1.843 million to the two bodies across the 22-23 and 23-24 financial years) has been provided to each existing organisation to support work related specifically to the reform programme. The regular Grant-in-aid funding provided to the SQA during the most recent financial year is £55.5 million, which is mostly resource, but has a small capital element too.

9. The annual budget allocation to Education Scotland for the most recent financial year was £41.6 million. For Education Scotland, it should be noted that the Scottish Government provides funding to the organisation for wider functions, which will continue to be undertaken by a separate National Agency for Education. This process, which is entirely separate from this Bill, is likely to occur on a similar timescale to the establishment of the independent inspectorate. The inspection function to be undertaken independently going forward is estimated to make up just over one third of the overall annual cost and spend of Education Scotland, according to previous modelling work undertaken.

## Education reform programme

10. An extensive education reform programme is underway in Scotland, incorporating the creation of a qualifications body to replace the SQA (to be known as Qualifications Scotland), an independent inspectorate, a national agency for Scottish education focussing on the curriculum, and a Centre for Teaching Excellence. The reform programme, which is overseen by the education reform programme board is an open and consultative process in response to the OECD’s report in June 2021 ‘Scotland’s Curriculum for Excellence: Into the Future’.<sup>1</sup> The Scottish Government subsequently commissioned independent reviews which encompass the education and skills landscape, namely ‘Putting Learners at the Centre’ by Professor Ken Muir<sup>2</sup>, a review of Qualifications and Assessments by Professor Louise Hayward<sup>3</sup>, and of the Skills Delivery Landscape by James Withers<sup>4</sup>. These, alongside the National Discussion on Education, have informed the programme’s approach and objectives.

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<sup>1</sup> [Scotland’s Curriculum for Excellence: Into the Future | en | OECD](#)

<sup>2</sup> [Putting Learners at the Centre: Towards a Future Vision for Scottish Education - gov.scot \(www.gov.scot\)](#)

<sup>3</sup> [It’s Our Future - Independent Review of Qualifications and Assessment: report - gov.scot \(www.gov.scot\)](#)

<sup>4</sup> [Fit for the Future: developing a post-school learning system to fuel economic transformation - gov.scot \(www.gov.scot\)](#)

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11. This Bill specifically sets out the legislative underpinnings for the new qualifications body and independent inspectorate, from which the costs and/or savings are outlined within this memorandum. Costs and savings associated with the wider education reform programme will not be incorporated unless strictly related to Bill provisions.

### Approach to cost estimates

12. It is acknowledged that there will be a level of uncertainty in some of the costs estimated in this Financial Memorandum. While the Bill provides for the high level aims and powers of the new bodies, precise costs will depend on the specific detail of their operational form which is still under development. The detail will continue to be refined as the education reform programme progresses and will continue following day one of their establishment. Estimated costs for the new qualifications body are based on the costs that have been incurred in setting up other comparable new bodies, and the costs incurred by the SQA in carrying out its current activities which will carry over to the new body. In respect of the creation of the office of HM Chief Inspector of Education, the estimated costs are based on financial modelling of the current costs of inspection within Education Scotland's wider budget. Where there is a significant margin of uncertainty in the estimates, ranges for potential costs have been provided. This includes 2% annual uplifts for staffing costs, which is aligned to public sector pay policy, and 3% annual uplifts for operational costs, which are aligned to inflation.

13. The Financial Memorandum gives a best estimate of set-up costs and operating costs for Qualifications Scotland and the office of HM Chief Inspector of Education in Scotland. It does not represent a final budgetary position for the new bodies.

### Summary of financial implications

14. The summary in Table 1 below sets out net costs of the Bill to the Scottish Administration, thereby including both costs to the Scottish Government (which currently funds Education Scotland as an executive agency to carry out functions including inspection) and the Non- Departmental Public Body for setting up the new bodies and their operational running costs. It also highlights to what extent the costs are offset by savings from the cessation of the SQA and Education Scotland's inspection function. Where there is a margin of uncertainty, potential costs are set out as a range representing likely cost floors and cost ceilings. The figures in Table 1 presents the sum total of all one-off and recurring savings and spend.

15. **Introducing this Bill would initially cost between £1.136 and £3.612 million in 2025-26**, accounting for savings from the cessation of the former bodies and excluding costs that would stand if the Bill was to not proceed, e.g. the body's existing staffing.

Table 1

<b>Total Costs of Bill to Scottish Administration</b>		<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
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
<b>Total costs</b>	<b>Low</b>	<b>1,136</b>	<b>69</b>	<b>-212</b>	<b>-202</b>
	<b>High</b>	<b>3,612</b>	<b>8,866</b>	<b>8,694</b>	<b>8,922</b>

16. A summary of the costs and savings for each body are set out below.

17. The new qualification body costs for 2025-26, including savings from cessation of the SQA, are estimated to be between -£0.384 and £1.262 million. This reflects total savings of between £30.268 - 35.367 million against £29.884 - 36.629 million total costs:

- One-off costs on staffing (£0.514 - £0.628 million), branding/website (£0.140 - £0.166 million) and costs associated transferring staff (£0.200 - £0.400 million) amounting to between £0.854 - £1.194 million; and
- Recurring costs on staffing (£29.378 - £34.263 million) operational (£24.827 - £31.941 million), and estates (£2.409 - £2.944 million) minus recurring income (£27.584 - £33.713 million). Amounting to £29.030 - £35.435 million.
- Savings from the cessation of SQA on staffing (£29.310 - £34.195 million), operational costs (£26.133 - £31.941 million), and estates (£2.409 - £2.944 million) - minus a loss of income (£27.584 - £33.713 million) - amounting to £30.268 - £35.367 million.

18. The new inspectorate costs for 2025-26, including savings from cessation of inspection functions through Education Scotland, are estimated to be between £1.520 - £2.350 million. This reflects total savings of between £8.379 - £10.242 million against £9.899 - £12.592 total costs:

- One-off costs on staffing (£0.334 - £0.408 million), estates (£0.000 - £0.212 million), branding/ website (£0.100 - £0.126 million) and staff transfer (£0.000 - £0.100 million). Amounting to between £0.434 - £0.846 million; and

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- Recurring costs on staffing (£7.147 - £8.735 million), operational (£1.959 - £2.394 million), and estates (£0.359 - £0.617 million). Amounting to between £9.465 - 11.746 million.
- Savings from moving the inspectorate function from away from Education Scotland on staffing (£6.198 - £7.576 million) and operational costs (£2.181 - £2.666 million), amounting to £8.379 - £10.242 million.

19. Table 2 below sets out the one-off costs to the Scottish Administration for setting up both bodies (excluding the total savings as reflected in Table 1).

Table 2

<b>Set up costs of the Bill to the Scottish Administration (£000s)</b>		<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Staffing costs	Low	848	293	0	0
	High	1,036	394	0	0
Estate costs	Low	0	0	0	0
	High	212	0	0	0
Branding / Website costs	Low	240	0	0	0
	High	292	0	0	0
Staff transfer costs	Low	200	0	0	0
	High	500	0	0	0
<b>Total</b>	<b>Low</b>	<b>1,288</b>	<b>293</b>	<b>0</b>	<b>0</b>
	<b>High</b>	<b>2,040</b>	<b>394</b>	<b>0</b>	<b>0</b>

20. The further detail presented under 'Cost to the Scottish Administration', 'Costs to local authorities', and 'Costs to other individuals, bodies and businesses' under both Part 1 and Part 2 provides a breakdown of the costs and savings resulting from the Bill for the new qualifications body and independent inspectorate respectively.

### Overall establishment costs of Bill provisions

21. The majority of Bill provisions will be funded within agreed budgets largely in line with previous years, given no substantial additional resource are anticipated to be required, however that will be subject to the specific detail of the operational form of the new bodies. Where Bill provisions do incur additional expense, for example one-off costs associated with establishing either new body, this is noted specifically within the 'Costs to Scottish Administration' section or 'Costs to other individuals, bodies and businesses' within the associated part of this memorandum. It is anticipated that there will be some modest increases to each body's recurring spend, as detailed under the associated 'recurring costs' section.

22. The overarching policy objective of the first part of the Bill is to establish a new public body that can provide qualifications services that consistently meet the needs and expectations of young people and all other learners, the education and skills

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system, economy, industry and other providers who use and recognise qualifications and awards.

23. A key priority and objective for the new body is that it will be a model organisation in how it better involves young people and other learners, teachers and practitioners, and wider stakeholders in its decision making. It will also be an exemplar in how it will be accountable to and transparent with these stakeholders. By emphasising these characteristics of the organisation alongside its functions, the Bill will seek to encourage an organisational culture that puts learners in Scotland, and other key education stakeholders, at its centre.

24. These changes will in many cases not explicitly necessitate new spend. For Qualifications Scotland, changes which support improved governance arrangements and culture are anticipated to be absorbed within their recurring existing spend (i.e. the increase in Board members and associated remuneration, the Learner Interest Committee, the Teacher and Practitioner Interest Committee and the associated resourcing required to manage the groups and any remuneration for members). The Scottish Government recognises benefits may be further enhanced through increased investment via wider education and skills reform programme activity which is not directly linked to the purpose of the Bill, such as that on digital improvement, or the reprioritisation of the SQA's existing spend.

25. There are no plans for new investment to be made as a direct result of the provisions in this Bill. However, there is parallel work planned by the education and skills reform programme which includes the development of specific options and proposals regarding the design and delivery of the services that will be provided by Qualifications Scotland. These options will have their financial implications assessed against reform priorities, value for money, and their expected outcomes, such as benefits to stakeholders or cost savings for the organisation, before any new investment is sought and agreed. The development of these options is not dependent on the provisions in the Bill.

26. The accreditation function of Qualifications Scotland and the awarding of qualifications will continue to account for a significant proportion of the new body's spend. The accreditation budget is circa £1.025 million per annum and is the cost associated with the delivery of this function which involves the process of accrediting qualifications and regulating the awarding bodies providing them. These costs also ensure the process of accreditation remains free of charge for awarding bodies. The awarding of qualifications involve the processes of designing and developing qualifications, assessing for qualifications and awards, certificating these qualifications and awards, and the related activities required to support those using their awarding services. These awarding functions, and the shared services that support both accreditation and awarding functions, is funded by the remainder of the budget (circa £26-31 million in 2025-26 (being a part year). No substantial changes to patterns of spend are anticipated in these areas.

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27. Similarly, the new inspection body is expected to continue the inspection functions of Education Scotland, with changes to ongoing spend anticipated to include the obligation to lay an annual report from the Chief Inspector on the performance of the Scottish Education System before the Scottish Parliament, as well as the requirement to maintain corporate services and other administrative spend that was previously pooled within Education Scotland’s own spending (see Part 2 ‘Functions’ section for further details).

## Part 1 – Costs of Qualifications Scotland

### Establishment

28. Section 1 of the Bill provides for the establishment of Qualifications Scotland with Schedule 1 setting out the status, the membership, staffing, procedure and powers of the body.

29. The change from the SQA to Qualifications Scotland will see an alternative governance structure established. This includes a Board of Management with increased membership; new statutory Committees; and new accountability frameworks, such as a Learner Charter and a Teacher and Practitioner Charter, as well as enhanced reporting requirements. Remuneration and resource costs associated with these changes to the governance structure are accounted for within recurring staffing cost ranges.

### One-off costs on Scottish Administration

30. Table 3 below sets out set-up costs of Qualifications Scotland to the Scottish Administration, occurring between the 2025-26 and 2026-27 financial years. Most of the costs will be revenue, however there will be some capital costs included.

Table 3

<b>One-off Establishment Costs of the Bill on Scottish Administration – Qualifications Scotland (£000)</b>		<b>2025-26</b>	<b>2026-27</b>
Staffing costs	Low	514	169
	High	628	209
Branding / Website costs	Low	140	0
	High	166	0
Staff transfer costs	Low	200	0
	High	400	0
<b>Total costs</b>	<b>Low</b>	<b>854</b>	<b>169</b>
	<b>High</b>	<b>1,194</b>	<b>209</b>

### Staffing costs

31. The largest proportion of costs to the Scottish Administration in establishing the bodies will be in the form of additional staffing and recruitment required. There are no anticipated one-off staffing costs directly related to the individual bodies as it is expected that existing staff will transfer to the new body (as set out under 'staff transfer costs' below). However, increased staffing is required within the Scottish Government's Education Reform Division to account for an expanded workforce and specialisms to support the establishment of both bodies. This is estimated to cost between £514,000 and £628,000 during the first year of Qualification Scotland's operation, with some residual spend of between £169,000 and £209,000 in the second year of operation. The figures are based on recent workforce planning undertaken within the Education Reform Division which considered the relevant policy and delivery expertise required with a 10% margin applied each way.

### Branding / Website costs

32. Estimated one-off costs of between £140,000 and £166,000 are expected for new branding and website updates. This comprises costs of between £40,000 - £46,000 to develop and create the new brand and logo and carry out independent user testing. These cost estimates have been produced following discussions with marketing colleagues within Scottish Government and are based on comparative work carried out previously. The remaining £100,000 - £120,000 are costs estimates provided by SQA which cover trademarking the new logo, replacing interior and exterior signage in buildings, producing new certificates and exhibition stands, replacement ID cards and lanyards for staff, replacement stationery bearing the new logo and website updates.

### Staff transfer

33. All staff from the existing organisation are in scope to transfer to Qualifications Scotland. Staffing figures for the SQA and the future staffing requirements of Qualifications Scotland are set out in the sections below. These transfers will likely take place under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE)<sup>5</sup> or the Cabinet Office Statement of Practice (COSO)<sup>6</sup>, with costs estimated between £200,000 and £400,000 provided by Scottish Government to support the SQA's facilitation of transfers. These estimates were made based on the number of staff that are in scope to transfer and the costs associated with the administrative and legal processes of transfer. A more detailed cost estimate and breakdown of activity will be developed in cooperation with the SQA once the exact timings and practicalities of staff transfer and the mechanism for enabling has been determined. The costs associated with this take into account the scenario of all staff transferring to Qualifications Scotland. The Scottish Government, as part of wider public pay policy and the education reform programme, have stated there will be no compulsory redundancies as a result of this reform.

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<sup>5</sup> [The Transfer of Undertakings \(Protection of Employment\) Regulations 2006 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

<sup>6</sup> [Staff transfers in the public sector - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

## One-off costs on local authorities

34. There will be no costs to local authorities in respect of the establishment of Qualifications Scotland and the provisions in the Bill. The Scottish Government recognises that local authorities have working and financial relationships with the SQA. The Bill will create provisions that enable these existing relationships to continue for Qualifications Scotland at no additional cost to local authorities directly as a result of this legislation. It will also include provisions enabling the transfer of property, rights, obligations and liabilities to ensure a smooth transition from SQA to Qualifications Scotland, ensuring the relationships and arrangements with local authorities that fall under these and related aspects are unaffected.

35. With the creation of Qualifications Scotland's brand there could be some resource requirements on local authorities associated with updating and changing material to refer to Qualifications Scotland instead of SQA. There are currently no estimated costs for this as it is part of a wider project on branding and identity for our national education infrastructure being taken forward on a different timescale to the work on legislation referred to in this memorandum. As such, the project is not yet at the point where the specific resource and administrative implications of any changes to name, logo, branding and wider identity have been identified. As this project develops, the Scottish Government will engage with local authorities on the detail that will support them to make accurate estimates of the impacts. The Scottish Government expects that the real cost of this will vary between local authorities depending on volume of materials and how staff and resource is used to deliver these updates. As work and timings for delivery on the Qualifications Scotland brand becomes clearer, the Scottish Government will work with local authorities to understand the specific cost implications of making these updates.

## One-off costs on other bodies, individuals and businesses

36. Aside from the costs on the Scottish Administration set out in this memorandum, there will be no one off costs on other bodies, individuals and businesses – including directly on SQA or Qualifications Scotland as an NDPB - as a result of the provisions that will establish Qualifications Scotland. In the same case as local authorities, the Bill provisions enabling transfer and transition will ensure a smooth transition from SQA to Qualifications Scotland. For example, the contracts SQA has with suppliers and service users will become those of Qualifications Scotland.

37. With the creation of Qualifications Scotland's new brand there could be some resource requirements on other bodies and businesses associated with updating and changing materials to refer to Qualifications Scotland instead of SQA. Similarly, for the reasons set out in paragraph 35 above, the resource requirements on other bodies and businesses associated with updating and changing materials are yet to be fully worked through as part of the wider project on branding and identity.

## Functions

38. The Bill gives Qualifications Scotland key functions that will enable them to deliver qualifications and assessment services. The Bill will enable Qualifications Scotland to design, develop, create, assess for, award and review their own qualifications, as well as provide wider assessment services.

39. The Bill gives Qualifications Scotland a statutory role in overseeing and setting the standards expected of qualifications being delivered within Scotland. The Bill provides Qualifications Scotland with a specific power to accredit any qualification, apart from university degrees. Qualifications Scotland will have responsibility for setting and publishing the requirements that must be met in order for qualifications to be accredited.

40. Qualifications Scotland will be expected to optimise income from all sources. Qualifications Scotland will be able to charge for and provide services in Scotland, the rest of the UK and internationally, to support the optimisation of income to contribute to financial sustainability of Qualifications Scotland. The Bill contains several provisions for how Qualifications Scotland can be funded and use its resources.

41. The establishment and development of the new body will provide an opportunity to define and refocus its activities and relationships and interaction with the broader education system. The Bill will provide for Qualifications Scotland to have two distinct and separate functions to achieve its overarching objectives: to develop and award qualifications; and to accredit qualifications and regulate organisations offering qualifications in Scotland. The location of accreditation functions has been fully considered and the Scottish Government believes the functions should remain at arm's-length from government and that it should sit within Qualifications Scotland.

42. The Bill will establish an enabling framework for the governance and functional arrangements for the body. As a vital component of the wider education reform programme, this framework will be enhanced and supplemented by further, more detailed work on its structure, operational model, the defining of its relationships with other education organisations, and its service activities.

## Recurring costs on the Scottish Administration

43. Qualifications Scotland will be funded through Grant-in-aid from the Scottish Government. As outlined above, the new body will bring in income which will offset its cost to the public purse. Decisions on the budget allocation for the new organisation to enable it to discharge its functions will be made annually as part of the Scottish Government budget process and monitored through its sponsorship arrangements as required by the Scottish Public Finance Manual. As the core functions of Qualifications Scotland will be unchanged from the SQA, the forecasts for recurring costs to the Scottish Administration in Table 4 are based on current income and expenditure by the SQA. There is a difference between the Grant-in-aid savings of SQA and the Grant-in-aid costs to Qualifications Scotland to take account of any potentially increased costs as a result of changes to governance, as noted in paragraph 24 above.

44. As an NDPB, Qualifications Scotland will have its own direct recurring costs. These direct costs have been noted separately under 'Recurring costs on Qualifications Scotland' in Table 7 to break down these different costs, however the total costs are equal to those in Table 4.

Table 4

<b>Recurring costs of the Bill on the Scottish Administration - Qualifications Scotland (£000)</b>		<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Grant-in-aid savings from cessation of SQA	Low	-30,268	-52,609	-54,002	-55,445
	High	-35,367	-61,454	-63,100	-64,807
Grant-in-aid costs to Qualifications Scotland	Low	29,030	50,455	51,786	53,164
	High	35,435	61,573	63,222	64,931
<b>Total costs</b>	<b>Low</b>	<b>-1,238</b>	<b>-2,154</b>	<b>-2,216</b>	<b>-2,281</b>
	<b>High</b>	<b>68</b>	<b>119</b>	<b>122</b>	<b>124</b>

\* All costings noted as '-' represent a saving.

## Recurring costs on local authorities

45. Qualifications Scotland will have the same funding structure as SQA.

46. SQA charges local authorities a levy for National Qualifications which partially covers the cost of delivery; for example, in 2022/23 the levy only covered 57% of direct costs (39% with overheads allocation). The levy is around £24.5 million per annum and is recorded as entry charge income. The remaining cost is covered by SQA's Grant-in-aid allocation. In 2023/24, the lowest levy amount a local authority paid was £112,512; the highest amount paid was £2.2 million; and the mean amount across all local authorities was £763,884.

47. Local authorities may incur additional charges if they put forward an entry for a qualification which is not covered by the levy (i.e. is not a National Qualification). This will vary for each local authority year on year dependent on the volume of entries and types of qualification entered which will be based on local demand. Cost per entry for qualifications not included in the levy can range from £7.50 to £165 depending on the qualification, and these prices will not change as a result of the Bill. In 2023/24, the total amount local authorities paid in additional charges was £756,802. The lowest amount a local authority paid in additional charges was £490; the highest amount paid was £92,377; and the mean amount across all local authorities was £23,650.

48. SQA fees and charges for products and services supplied in Scotland, including the levy, are set at the start of each financial year and can only be changed with agreement from the Scottish Ministers. Qualifications Scotland will also be required to seek Scottish Ministers' approval to change the levy and fees through specific provisions in the Bill and supporting governance documents. For any changes to be made, Qualifications Scotland must first develop proposed entry charge changes

through consultation with appropriate stakeholders for consideration by the Scottish Ministers. There will therefore be no immediate change to the current levy of £24.5 million as a result of the Bill.

49. With an unchanged levy, and additional charges being variable depending on local authority demand, the recurring costs in Table 5 are therefore shown as cost neutral. Any recurring costs previously incurred by local authorities in relation to the SQA's products and services will move to Qualifications Scotland as a result of this Bill.

50. The costs outlined in the above paragraphs are included within the figures in Table 5 below. Apart from the levy, which remains unchanged for the purposes of this forecast, the forecasted low and high ranges for additional charges have been based on the recent local authority additional charges with a 10% margin, and include a modelled 2% increase to take account of increase in demand or any price changes (noting there will be no price changes as a direct result of this Bill). This information is therefore only indicative of future charges that may be incurred by local authorities.

Table 5

<b>Costs of the Bill on Local Authorities - Qualifications Scotland (£000)</b>		<b>2025-26*</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Savings on levy charges to local authorities following cessation of SQA	Low	-14,292	-24,500	-24,500	-24,500
	High	-14,292	-24,500	-24,500	-24,500
Savings on additional charges to local authorities following cessation of SQA	Low	-418	-730	-745	-760
	High	-505	-884	-901	-919
Costs of Qualifications Scotland levy charges to local authorities	Low	14,292	24,500	24,500	24,500
	High	14,292	24,500	24,500	24,500
Costs of Qualifications Scotland additional charges to local authorities	Low	418	730	745	760
	High	505	884	901	919
<b>Total costs</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>High</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* 2025-26 calculated as part-year (7 months)

### Recurring costs on other bodies, individuals and businesses

51. SQA charges colleges, businesses and other bodies per entry for a qualification as their entries are not covered by the above levy. The colleges, businesses and other bodies also purchase other products and services from the SQA. As with local authorities, fees for products and services supplied in Scotland are set at the start of the year and any changes are subject to the approval of the Scottish Ministers in line with the process set out in this memorandum. This will remain unchanged for Qualifications Scotland and there will be no changes to fees or charges as a result of this Bill. Total costs will vary year on year dependent on the volume of entries and types of

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qualification each college or other body puts forward, or the other products and services they buy from the SQA. As with additional entries from local authorities, cost per entry can range from £7.50 to £165 depending on the qualification. A college or body may also incur late entry charges or other administration fees. For example, in 2023/24 the total amount paid to the SQA by colleges was £8.37 million. The highest amount paid by a college was £1.12 million; the lowest amount paid was £6,330; and the mean amount paid across all colleges was £239,144.

52. Qualifications Scotland will continue to deliver commercial services in Scotland and across the UK and internationally, informed by its expertise in the development and delivery of qualifications. Services include: customised awards, assessment design and development; assessment delivery; occupational standards development; qualifications framework development; and technical and vocational education and training. These services are currently valued at between £8-£9 million per year. Prices for all products and services, supplied by the SQA outwith Scotland will be set by Qualifications Scotland. The charges for these services will be driven by the market and cost of delivery and will not change as a result of the Bill.

53. In addition to colleges, other bodies and businesses also incur costs as a result of purchasing the SQA's products and services, such as qualifications entries or commercial services noted above and is naturally led by demand. The cost of purchasing these products and services is therefore not fixed. For example, in 2023/24, the SQA received commercial and other income from a range of different customer groups aside from local authorities and colleges, amounting to around £16.92 million. This forms part of the forecast set out in Table 6, along with colleges.

54. With qualification entries and any commercial services purchased from the SQA by colleges, businesses and other bodies being based on demand, the recurring costs are therefore shown as cost neutral. Any recurring costs previously incurred by other bodies, businesses and individuals in relation to acquiring the SQA's products and services will move to Qualifications Scotland as a result of this Bill.

55. The costs outlined in the above paragraphs are included within the figures in Table 6 below. The forecasted low and high ranges have been estimated based on current and historical SQA income with a 10% margin and include a modelled 2% increase to take account of any increases in demand or price changes based on trends from previous years. This information is therefore only indicative of future charges that may be incurred by other bodies, businesses or individuals.

Table 6

<b>Costs of the Bill on other bodies, individuals and businesses - Qualifications Scotland (£000)</b>		<b>2025-26*</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Savings to other bodies, individuals and businesses following cessation of SQA	Low	-12,874	-23,002	-23,952	-24,921
	High	-18,916	-33,566	-34,728	-35,912
Costs to other bodies, individuals and businesses of Qualifications Scotland	Low	12,874	23,002	23,952	24,921
	High	18,916	33,566	34,728	35,912
<b>Total costs</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>High</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* 2025-26 calculated as part-year (7 months)

56. There is currently no charge to awarding bodies for the SQA's accreditation services as these are considered to be in the public good. This is expected to continue to be the case in Qualifications Scotland. Any change by Qualifications Scotland to charging for accreditation services will be subject to criteria set by the Scottish Ministers. It is currently mandatory for some qualifications to be accredited. These include qualifications classified as Scottish Vocational Qualifications, and those in the licence trade sector and in the security industry which need a licence to practice. For all other qualifications, accreditation is voluntary.

57. As no fees are charged for accreditation, the only costs associated with accreditation will be any resource requirements incurred by awarding bodies to prepare a submission for a qualification to be accredited. The most recent SQA report shows that the SQA regulates 35 awarding bodies and accredits 729 qualifications. With this, the resource requirements of awarding bodies will vary from awarding body to awarding body; from qualification to qualification; and from submission to submission. The SQA adopts a risk-based approach to accreditation which means that its regulatory activities, such as frequency of audit, will vary across awarding bodies depending on where the greatest potential impact can be made in terms of the learners, employers, parents, funding bodies and government, which will vary any associated cost for awarding bodies. As such, the Scottish Government does not have specific or relevant figures for this. Highlighting the various cost ranges or providing an estimated average cost, would be misleading given how awarding bodies differ. Any estimated cost range or average cost would not have validity for all using accreditation services and including these in

this memorandum could set unrealistic cost expectations for those seeking to submit qualifications for accreditation.

58. The Scottish Government will continue to consult with awarding bodies to understand any new cost impacts as a result of applying for accreditation, and Qualifications Scotland will be expected to factor these into how it plans and delivers its accreditation services. For example, there is ongoing work as part of wider education and skills reform that is looking at the quality assurance of qualifications. Engagement is already underway with awarding bodies and the wider system in which a range of matters in relation to quality assurance, including accreditation, are being discussed. This engagement will include opportunities to better understand the resource requirements of awarding bodies to have their qualifications accredited.

59. The Bill makes no changes to the remit of what is required to be accredited, therefore the current cost implications for businesses and bodies in relation to Qualifications Scotland accreditation services will be the same as what awarding bodies uniquely incur to submit a qualification for accreditation to the SQA. Transfer and transition provisions will ensure qualifications that are currently accredited by SQA will not have to seek brand new accreditation again from Qualifications Scotland.

## Recurring costs on Qualifications Scotland

60. Table 7 below estimates the annual running costs for Qualifications Scotland to deliver its functions up to and including 2028-29. This covers the proportion of the first financial year 2025/26 and subsequent years of the organisation's operation after its establishment. It includes pension liabilities and depreciation. The majority of the costs will be revenue, however there will be some capital and non-cash costs included. These running costs are covered both by income generated by Qualifications Scotland itself, and Grant-in-aid from the Scottish Government. The estimates are based on current and estimated future annual running costs which include staff costs being modelled on a 2% increase based on the floor award of the Scottish Government's Public Sector Pay Strategy, and operational costs being modelled on a 3% increase based on trends from previous years.

Table 7

<b>Recurring costs of the Bill on Qualifications Scotland (£000s)</b>		<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Staff cost savings from cessation of SQA	Low	-29,310	-51,232	-52,238	-53,264
	High	-34,195	-59,770	-60,944	-62,141
Operational cost savings from cessation of SQA	Low	-26,133	-45,455	-46,751	-48,086
	High	-31,941	-55,556	-57,140	-58,772
Estate cost savings from cessation of SQA	Low	-2,409	-4,154	-4,209	-4,275
	High	-2,944	-5,078	-5,145	-5,225
Income loss from cessation of SQA	Low	27,584	48,232	49,197	50,180
	High	33,713	58,950	60,129	61,332

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Staffing costs	Low	29,378	51,351	52,360	53,388
	High	34,263	59,889	61,066	62,265
Operational costs	Low	24,827	43,182	44,414	45,682
	High	31,941	55,556	57,140	58,772
Estate costs	Low	2,409	4,154	4,209	4,275
	High	2,944	5,078	5,145	5,225
Income	Low	-27,584	-48,232	-49,197	-50,180
	High	-33,713	-58,950	-60,129	-61,332
<b>Total costs</b>	<b>Low</b>	<b>-1,238</b>	<b>-2,154</b>	<b>-2,215</b>	<b>-2,280</b>
	<b>High</b>	<b>68</b>	<b>119</b>	<b>122</b>	<b>124</b>

\* 2025/26 figures are based on part-year (7 months)

† All costings noted as '-' represent a saving.

### Savings from cessation of SQA

61. Savings of between £30.3 million to £35.4 million in 2025/26 (being a part year) and £52.6 million to £64.8 million in following years are based on the funding the Scottish Government would no longer need to provide to the SQA following the inception of Qualifications Scotland. These figures are based on current SQA forecasts up to 2028-29.

### Recurring staffing costs

62. Staffing costs for Qualifications Scotland are based on the current staffing costs of the SQA plus additional costs of up to £68,000 in 2025-26 (being part year) and £119,000 to £124,000 in following years for the remuneration for two additional Board members and the teacher and learner panel members. The forecasts take into consideration recurring average pay increases of 2%, which is based on the floor award of the Scottish Government's Public Sector Pay Strategy. Costs range from £29.4 million to £34.3 million in 2025-26 (being a part year) and £51.4 million to £62.3 million in following years. The latest published figures for SQA show a headcount of 1,083 (full-time equivalent (FTE) 1,031), as at quarter 3, 2023.

### Recurring operational costs

63. Operational costs for Qualifications Scotland are based on the current operational costs of the SQA. This includes £1.025 million accreditation costs for administration of accrediting qualifications and regulating awarding bodies; and £20-23 million appointee costs which covers the costs of appointing and remunerating teaching experts and specialists to carry out key tasks related to the development and delivery of qualifications including subject matter experts, invigilation, marking, quality assurance, etc. It also includes £6-8 million business specialist fees (to deliver the change programme aimed at improving existing systems and assist with commercial business and securing new contracts); £8-10 million IT and digital costs for maintenance and investment in business systems; £2-3 million marketing costs such as advertising and communications including activities around engagement with learners and centres; £4-5 million equipment and publication costs such as those associated with printing

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qualifications and awards materials and providing certificates; and £2-4 million in miscellaneous staff costs such as training, travel and subsistence.

64. These range from £24.8 to £31.9 million in 2025-26 (being a part year) and £43.2 to £58.8 million in following years. The low forecasts assume that Qualifications Scotland will deliver 5% savings through actions to deliver Public Service Reform.

#### Recurring estate costs

65. The SQA are currently located at Lowden Building in Dalkeith and Optima Building in Glasgow and it is expected that Qualifications Scotland will remain there. Costs estimates range from £2.4 to £2.9 million in 2025-26 (being a part year) and £4.2 to £5.2 million in following years, which are based on current lease agreements in the name of the Scottish Ministers. These costs would be the same without the Bill to create a new qualifications body. Estimates include margins for any service charge increases in line with CPI and potential maintenance costs.

#### Income

66. Qualifications Scotland is expected to maintain a similar level of income to the SQA through entry fees and charges - subject to any changes agreed with the Scottish Ministers as set out above - for its qualifications and other income which will include awarding services, consultancy work, and commercial contracts in markets outside Scotland. Based on the SQA's income trends over previous years, income will be around £27.6 million in 2025-26 (being a part year) and between £48.2 to £61.3 million in following years, which will offset Qualifications Scotland's cost to the public purse. These figures are based on historic and current income generation of which around 50% is from local authorities, 17% from Further Education Colleges, 10% from training providers, 7% from international activities and the remainder comprising of activities undertaken with employers, independent schools, Street Works and the European Union. A 2% inflationary increase has also been modelled. This information is reflected as income in Table 7 and also reflects the recurring costs that local authorities (Table 5) and other businesses, bodies and individuals (Table 6) would incur by choosing to use Qualifications Scotland's products and services.

## Part 2 – Costs of HM Chief Inspector of Education

### Establishment

67. Part 2 of the Bill provides for the Establishment of a new independent office-holder; His Majesty's Chief Inspector of Education in Scotland ("Chief Inspector"), to lead the operation of inspection of education provision in Scotland. Currently the legislative power over inspection lies solely with the Scottish Ministers – the intention of this part of the Bill is to seek to move the balance of legislative power toward the Chief Inspector. The Bill therefore confers new powers on the Chief Inspector to set the frequency and focus for inspections, as opposed to this remaining under the control of the Scottish Ministers and requires the Chief Inspector to set these operations out in an

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inspection plan. The Bill also sets a number of reporting requirements for the Chief Inspector, including to report annually on the performance of Scottish education.

68. This Financial Memorandum also considers the financial impact of the requirement for the Chief Inspector to establish an Advisory Council. As an independent office-holder, membership is to be decided by the Chief Inspector.

69. It is important to ensure the continuation of inspection of education provision in the full range of establishments and services as is currently inspected, mainly schools and other relevant educational establishments where education and training is provided. As the Bill is not seeking to increase the number or scope of education inspections, it has been assessed that the cost of on-the-ground inspections is not expected to change as a result of the Bill. However, as detailed above, legislative power for taking decision around these matters will be for the Chief Inspector – the Chief Inspector will have flexibility to work within the budget awarded by the Scottish Government to consider different ‘models’ (ways of carrying out inspection) that may reduce the overall cost of individual inspections and may result in an increased number and/or cost of inspection. The Chief Inspector is required to set this out in the Inspection Plan, to be consulted on with the Advisory Council.

70. Detail on the full range of provisions contained in Part 2 is included in the Policy Memorandum.

### One-off costs on Scottish Administration

71. Table 8 sets out the one-off set up costs for the new inspectorate.

Table 8

<b>One-off Establishment Costs of the Bill on Scottish Administration – Inspectorate (£000s)</b>		<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Staffing costs	Low	334	124	0	0
	High	408	185	0	0
Staff Transfer costs	Low	0	0	0	0
	High	100	0	0	0
Branding / Website costs	Low	100	0	0	0
	High	126	0	0	0
Estate costs	Low	0	0	0	0
	High	212	0	0	0
<b>Total costs</b>	<b>Low</b>	<b>434</b>	<b>124</b>	<b>0</b>	<b>0</b>
	<b>High</b>	<b>846</b>	<b>185</b>	<b>0</b>	<b>0</b>

## Staffing Costs

72. The new Inspectorate body (to be known as His Majesty's Inspectorate of Education in Scotland) will continue to be staffed by civil servants and Inspectors appointed by His Majesty, as is currently the position. HM Inspectors are civil servants subsequently appointed by Royal warrant via the Privy Council, which signifies their professional responsibility to evaluate and report independently, without interference from the Scottish Ministers or from the providers of education being inspected or from any undue influence from stakeholders when pursuing the interests of learners.

73. It is expected that existing HM Inspectors and inspectorate staff currently engaged with inspection within Education Scotland will transfer to the Chief Inspector to support the carrying out of their new legislative function and subsequently staff the new Inspectorate. Further detail on this is noted under 'recurring staffing costs.'

74. As previously set out, increased staffing is required within the Scottish Government's Education Reform Division to account for an expanded workforce and specialisms to support the establishment of both bodies. This is estimated to cost between £334,000 and £408,000 during the first year of operation of the Chief Inspector's office, with some residual spend of between £124,000 and £185,000 in the second year of operation. The figures are based on recent workforce planning undertaken within the Division and reflects both internal Scottish Government staff and external specialists, with a 10% margin applied each way. The estimated costs for internal Scottish Government staff are between £200,000 and £244,000 during the first year of operation and between £74,000 and £111,000 in the second year of operation. The estimated costs for external specialists are between £134,000 and £164,000 during the first year of operation and between £50,000 and £74,000 in the second year of operation.

## Branding/ Website costs

75. Estimated one-off costs of between £100,000 and £126,000 are included for branding and establishment of the Inspectorate's website. This comprises costs of between £40,000 - £46,000 to develop and create the new brand and logo and carry out independent user testing. These cost estimates have been produced following discussions with marketing colleagues within Scottish Government and are based on comparative work carried out previously. The remaining £60,000 - £80,000 are cost estimates for producing new stationery, signage and staff ID cards for the new body as well as establishing a new website. These estimates are based on comparative work undertaken by similar size organisations previously.

## Costs arising from staff transfers

76. It is expected that staff currently engaged in the inspection function in the existing organisation will transfer to the Chief Inspector to support the carrying out of their statutory functions and subsequently staff the new inspectorate body (His Majesty's Inspectorate for Education in Scotland) under the Cabinet Office Statement of Practice (COSoP). It is estimated that around 100 members of existing civil service staff will be in scope of this - with limited impact as they will remain on existing civil service terms and

conditions. Ceiling costs of up to £100,000 have been included and are assumed to cover the costs of staff transfers based on modelling work undertaken by professional consultants. Examples of costs may include the setting up of the new inspectorate on the Scottish Government systems, new payroll accounts, terms and conditions buyout and pension costs. A more detailed cost estimate and breakdown of activity will be developed once the exact timing and practicalities of staff transfer and the mechanism for enabling this has been determined.

#### Estate costs

77. Work is continuing to further define the requirements for working space, including opportunities for co-location. In the meantime - based on an assumption that the Inspectorate continues in the first instance to operate within its current share of the Education Scotland estate - costs of up to £212,000 are factored in for office fit out to facilitate a separate space within the estate in the first year of operation, and the possibility that re-location may be necessary. Whilst there is opportunity to remain in existing office space, a driving factor for reform and new legislation is to separate the inspection function from wider Education Scotland improvement functions; it is therefore considered likely that it would be favourable to house the Inspectorate in a separate office space.

78. Decisions will be aligned to existing public service principles and other developments which support the ambitions of reform, with particular regard – but not limited – to those related to operational sustainability, cooperation, and prevention.

#### One-off costs on local authorities

79. Inspection of education provision in local authority establishments is already current practice, therefore no additional costs are anticipated being incurred by local authorities in respect of the establishment of the Chief Inspector.

#### One-off costs on other bodies, individuals and businesses

80. The Bill requires the Chief Inspector to establish an Advisory Council and appoint members representative of those affected by education inspection. No such Advisory Council currently exists.

81. There may be costs to other bodies, individuals, and businesses by way of agreed Council members time and travel; however it is broadly assumed members will act on a voluntary basis with costs covered within core employer budgets. It is assumed that any costs associated with the Advisory Council (i.e. claims for remuneration or allowances for these costs) will be considered by the Chief Inspector, who will hold budget responsibility for the full range of operations (and associated costs) of the Inspectorate.

82. By way of example, the existing Education Scotland Advisory Board - whilst holding different purposes and functions - has 12 members, including 6 non-executive members. It is unclear at this stage if the Advisory Council is anticipated to have a

similar membership as this is a matter for the Chief Inspector to determine. However, the Chief Inspector has a duty to have regard to the desirability that the Advisory Council as a whole is representative of persons likely to be affected by the Chief Inspector's functions. For any members holding civil service status it is assumed that public pay rules around how much they may be paid will be determined by the rate associated with the banding of the public body, with a minimum and maximum payment rate for each band. For example, currently Education Scotland pays a daily rate of £288 for each non-executive. This provides for all corporate governance board and committee meetings including the meeting itself and preparation time. Members may also claim travel and subsistence.

83. The Bill also includes provision that the Chief Inspector may appoint individuals to assist in the carrying out of inspection, such as, but not limited to, Lay Members and Associate Assessors. This is to allow for the continuation of current practice, but under the authority of the Chief Inspector. This is already current practice and therefore no new cost is anticipated. Further details are available within the 'Recurring costs to local authorities' section. There will be no other costs to other bodies, individuals or businesses in respect of the establishment of the new body.

## Functions

84. Education Scotland currently inspects and reports on the quality of education provision in education establishments in Scotland, including (but not limited to) early learning and childcare settings, schools, community learning and development services and colleges.

85. The newly established role of HM Chief Inspector will be responsible for the continuation of inspection of education provision in Scotland's full range of educational establishments as currently inspected.

86. Inspectors will continue to evaluate quality of education, the impact of interventions, the quality of learners' experience and, using the relevant framework for the sector, make judgements on a school's or setting's capacity to improve. The bulk of the inspectorate's work and spend will continue along similar lines, however the Bill will bring forward additions, by way of requiring the creation of an Advisory Council and an obligation for annual reports on the performance of Scottish Education to be laid before the Scottish Parliament.

87. There are no foreseen substantial additional costs anticipated as a result of the inspection function becoming independent. As the new bodies come into existence, and the education system evolves, the inspectorate is expected to manage change flexibly to meet future requirements.

88. Reporting on performance of Scottish education was once standard operational practice for the education inspectorate - it is assumed the new legislative requirement for the Chief Inspector to report on the performance of Scottish education, will take a similar form to these historic reports by summarising findings from inspections and other

evaluative activities carried out by operations of the Chief Inspector; drawing out key features and trends - and, other than the need to draw these findings out into a report, it will not require additional inspection operations to be taken forward.

## Recurring costs on the Scottish Administration

89. Current funding streams to support the function of inspection of education are largely expected to be maintained. Table 9 below shows the recurring operational costs for the new inspectorate between 2025 and 2029, using likely operating levels agreed with Education Scotland in April 2023. The low costs are based on a continuation of current levels of inspections undertaken, i.e. 250 annually, with a 10% margin deducted. The high costs are based on increased levels of inspections undertaken, i.e. 360 annually, with a 10% margin added.

Table 9

<b>Recurring Costs of the Bill on Scottish Administration - Inspectorate (£000s)</b>		<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Staff costs savings from Inspectorate function moving away from Education Scotland	Low	-6,198	-10,838	-11,055	-11,276
	High	-7,576	-13,246	-13,511	-13,781
Operational costs savings from Inspectorate function moving away from Education Scotland	Low	-2,181	-3,814	-3,891	-3,969
	High	-2,666	-4,662	-4,755	-4,850
Estate costs savings from Inspectorate function moving away from Education Scotland	Low	0	0	0	0
	High	0	0	0	0
Staffing costs	Low	7,147	12,497	12,747	13,002
	High	8,735	19,907	20,305	20,711
Operational costs	Low	1,959	3,459	3,562	3,669
	High	2,394	5,276	5,435	5,598
Estate costs	Low	359	626	639	651
	High	617	1,077	1,099	1,121
<b>Total costs</b>	<b>Low</b>	<b>1,086</b>	<b>1,930</b>	<b>2,002</b>	<b>2,077</b>
	<b>High</b>	<b>1,504</b>	<b>8,352</b>	<b>8,573</b>	<b>8,799</b>

\*2025/26 figures are based on part-year (7 months)

### Savings from the Inspectorate function moving from Education Scotland

90. Savings of between £8.4 to £10.2 million in 2025-26 (being a part year) and £14.7 to £18.6 million in following years are based on the proportion of funding the Scottish Government would no longer need to provide to Education Scotland to cover inspectorate functions. The current inspectorate function of Education Scotland is estimated to account for around a third of its total costs. Recurring costs are anticipated to increase marginally going forward (£1 - 1.5 million in 2025-26), largely reflective of the creation of new corporate and supporting functions.

### Recurring staffing costs

91. Staffing costs for HM Chief Inspector of Education are broadly based on the current number of inspectors employed by Education Scotland and a proportion of their corporate and supporting functions that would need to be created for the new body, which equates to around 100 staff members. The costs are estimated between £7.147 to £8.735 million in 2025-26 (being a part year) and £12.497 to £19.907 million in the 2026-27 financial year depending on the number of inspections that will be carried out by the new body, with an anticipated range of between 250 and 360 per year. The higher range accounts for an additional 30 inspectors and 15 support staff, which would be required to enable an increase to 360 inspections per year.

### Recurring operational costs

92. Operational costs are estimated to be between £1.959 and £2.394 million in 2025-26 (being a part year) and £3.459 to £5.276 million in the 2026-27 financial year. The majority of these costs are travel and subsistence costs for HM Inspectors and IT and digital costs for the new body. Travel and subsistence costs comprise £1 - 1.3 million in 2025-26 and £1.9 - £3.3 million in 2026-27 but will vary depending on the number of inspections the new body will carry out, ranging from 250 to 360 per year. IT and digital costs comprise £0.8 - 1.0 million in 2025-26 and £1.4 - £1.8 million in 2026-27 while other miscellaneous costs make up the remainder of costs in 2025-26. These figures are based on the operating costs of the current inspection function within Education Scotland.

### Recurring estate costs

93. Education Scotland currently has offices in Aberdeen, Dundee, Glasgow and Livingston. Estate costs of £0.359 to £0.617 million in 2025-26 (being a part year) and £0.626 to £1.077 million in the 2026-27 financial year are based on space targets of between 8m<sup>2</sup> to 13.8m<sup>2</sup> to accommodate the 100 staff members, mirroring the existing arrangements for the staffing complement. The Scottish Government will continue to further define the requirements for working space within the expectations of the Scottish Government's wider estates review and associated principles. It should be noted that Education Scotland is expected to be decommissioned and replaced with a new National Agency for Education along similar timescales to the establishment of the independent inspectorate and as such future estate plans should not be seen as definitive.

### Recurring costs on local authorities

94. Inspection of education provision in schools, and other services, provides important system benefits including ensuring high quality education provision for all Scotland's learners. It will provide public accountability and assurance on the quality of education to learners, their parents and to the Scottish Ministers and Parliament; promote improvement and build capacity in the education system; and inform development of education policy and practice. This will benefit education authorities as the statutory providers of school education. Notwithstanding this, currently there is no

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direct cost to education authorities for the inspection of education provision and the legislation will not change this position.

95. There is a cost to education authorities in relation to the release of staff to be involved in inspection activity, for example as Associate Assessors (“AAs”), who are experienced practitioners in the relevant field and provide a reassuring peer view of on the ground operations. Every Inspection team has at least one part-time AA. Currently, there are two levels of AAs - full time seconded by Education Scotland (around 6) and part-time (a pool of around 300).

96. Current working practices regarding AAs is that they join inspections by agreement with their employer. This will continue as an essential element of inspection, which also provides benefit to local authorities, by developing skills, knowledge and understanding in their staff from undertaking training with, and working alongside, inspectors.

97. Full-time AAs are seconded to Education Scotland at an approximate cost of £720,000 per year. These are costs to Education Scotland which will become costs to the new body and are included within Table 9.

98. Education Scotland pay the local authority a day rate (£196 per day) for part-time AAs, and cover cost of accommodation, travel and subsistence for the AAs as well as training costs in relation to AAs. This rate does not cover the full salary cost of the AA, as part of the benefit is the experience gained being part of an inspection team to help build capacity in the education system. This experience is considered to be high quality professional learning. The remaining costs are charged to the local authority.

99. As noted above, Education Scotland currently operate with a pool of around 300 part-time AAs, who are predominantly headteachers, and are used for 3-4 days per inspection. The costs shown in Table 10 below are based on the mean 2023-24 headteacher pay of £91,482, with a recurring 2% pay increase modelled based on current public sector pay policy. Pay covers 195 days worked so the day rate charged to local authorities has been calculated as pay divided by 195 and then deducting the £196 covered by Education Scotland. The low costs shown are based on 250 inspections per year with an average of 3 days per inspection and the high costs are based on 360 inspections per year with an average of 4 days per inspection. As no change is expected to the charging structure following the introduction of this Bill, no additional charges to local authorities are expected.

Table 10

<b>Costs of the Bill on Local Authorities - Inspectorate (£000)</b>		<b>2025-26*</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Savings on Associate Assessor charges to Local Authorities from Inspectorate function moving from Education Scotland	Low	-128	-226	-234	-242
	High	-245	-435	-449	-463
Costs of Associate Assessor charges to Local Authorities from Inspectorate	Low	128	226	234	242
	High	245	435	449	463
<b>Total costs</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>High</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*2025-26 calculated as a part-year - 7 out of 12 months

### Recurring costs on other bodies, individuals and businesses

100. Table 11 sets out the recurring costs of the new inspectorate to other bodies, individuals and businesses.

Table 11

<b>Costs of the Bill on other bodies, individuals and businesses - Inspectorate (£000)</b>		<b>2025-26*</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Savings on inspection charges to private colleges from inspectorate function moving from Education Scotland	Low	-15	-25	-25	-25
	High	-23	-40	-40	-40
Savings to Scottish Funding Council from inspectorate function moving from Education Scotland	Low	-525	-900	-900	-900
	High	-642	-1,100	-1,100	-1,100
Costs of inspection charges to private colleges from Inspectorate	Low	15	25	25	25
	High	23	40	40	40
Costs to Scottish Funding Council from Inspectorate	Low	525	900	900	900
	High	642	1,100	1,100	1,100
<b>Total costs</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>High</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*2025-26 calculated as a part-year - 7 out of 12 months

101. Education Scotland currently utilise a limited Scottish Ministerial power to charge a fee in aspects of the carrying out of their function (section 72(3) of the Education Scotland Act 1980), specifically charging to inspect private colleges. This power is currently used to facilitate the means by which Education Scotland can charge a fee (to recover costs for providing this service) to provide educational oversight on quality of provision in all private colleges/English language schools (for learners holding UKVI

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student visa). This is usually a total of between £25,000 – 40,000 per year depending on how many providers are inspected.

102. Given powers in relation to the inspection functions will move to the independent office-holder, in order to continue the ability to recover costs, where appropriate, the Bill includes provision to enable the HM Chief Inspector to charge a fee to recover the costs of inspection activity in certain limited circumstances and certainly not for the inspection of mainstream and/or special schools. This will be based on current practice and the legislation will not lead to any additional costs on other bodies, individuals or businesses.

103. Separately the Scottish Funding Council currently pays Education Scotland for college reviews and reviews of specific subject areas within Scotland's colleges (to fulfil SFC duty under section 13 of the Further and Higher Education Act 2005). This charge is set at a level to recover the costs of providing the service - equating to between £900k and £1.1 million in the last 5 years - this is facilitated by way of a shared Outcome Agreement between SFC and Education Scotland, rather than Education Scotland charging a fee.

104. The power in the Bill given to the Chief Inspector to charge a fee will allow for the continuation of these practices, working under arrangements of the HM Chief Inspector of Education.

## Part 1 and Part 2: Summary of total Bill costs

105. Table 12 sets out the total costs of the Bill to the Scottish Administration, local authorities and other bodies, individuals and businesses. The total costs to the Scottish Administration figures is inclusive of the total costs to Qualifications Scotland and the Inspectorate.

106. As noted in paragraph 44, Table 4 sets out recurring costs to the Scottish Administration in relation to Qualifications Scotland. These recurring costs are equal to those set out in more detail in Table 7 as recurring costs to Qualifications Scotland. As such, it is not necessary to include Table 7 in the summary Table 12 below.

Table 12

<b>Summary of Total Bill Costs (£000)</b>		<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
Total costs to the Scottish Administration *	Low	1,136	69	-214	-204
	High	3,612	8,865	8,695	8,923
Total costs to Local Authorities †	Low	0	0	0	0
	High	0	0	0	0
Total costs to other bodies, individuals and businesses ‡	Low	0	0	0	0
	High	0	0	0	0
<b>Total</b>	<b>Low</b>	<b>1,136</b>	<b>69</b>	<b>-214</b>	<b>-204</b>
	<b>High</b>	<b>3,612</b>	<b>8,865</b>	<b>8,695</b>	<b>8,923</b>

\* These are the totals from Tables 3, 4, 8 & 9

† These are the totals from Tables 5 & 10

‡ These are the totals from Tables 6 & 11



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# Education (Scotland) Bill

## Financial Memorandum

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