

Education, Children and Young People Committee

1st Meeting, 2022 (Session 6), Wednesday 12 January

Scottish Government Budget 2022-23

Introduction

The Committee will take evidence on the Scottish Government budget within the education and skills portfolio for 2022-23. This paper provides information to provide context to the evidence session.

Committee meeting

The Committee will take evidence from—

- Shirley-Anne Somerville MSP, Cabinet Secretary for Education and Skills, Scottish Government
- Alison Cumming, Director of Early Learning & Childcare, Scottish Government; and
- Graeme Logan, Director of Learning, Scottish Government.

Supporting Information

The Committee exchanged pre-budget correspondence with the Cabinet Secretary for Education and Skills. This correspondence is provided at [Annexe A](#). The Committee has received joint correspondence from Colleges Scotland and Universities Scotland on the proposed 2022-23 Scottish Government budget for the further and higher education sectors. This is provided at [Annexe B](#).

The Finance and Public Administration (FPA) Committee has written to the Committee regarding the content of the Medium Term Financial Strategy (MTFS). The FPA Committee is seeking the views of parliamentary committees on the MTFS. This correspondence is provided at [Annexe C](#).

Lastly, a SPICe briefing on the Scottish Government budget 2022-23 within the education and skills portfolio, which also takes account of the proposed local government budget allocation, is provided at [Annexe D](#).

Stephen Herbert
Clerk
Education, Children and Young People Committee
7 January 2022



The Scottish Parliament
Pàrlamaid na h-Alba

Education Children and Young People Committee

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10 November 2021

Via E-mail

Dear Cabinet Secretary,

Pre-Budget Scrutiny 2022-23

I am writing to you on behalf of the Members of the Education, Children and Young People Committee setting out the views of the Committee in advance of the Scottish Government budget 2022-23.

As I know you will appreciate it is early in the new parliamentary session. Nevertheless, the Committee has heard a range of budget-related evidence during the initial evidence sessions we have held to date. In particular, I want to highlight evidence the Committee took from the Auditor-General for Scotland and the Accounts Commission which informs much of the content of this letter. The Official Report of this meeting can be accessed at—

[Official Report - Parliamentary Business : Scottish Parliament](#)

It is clear that the pandemic has had a particularly significant impact upon children and young people. The learning, wellbeing and economic circumstances of children and young people, in particular those who are living in the most challenging circumstances, have been significantly affected by Covid-19. As a result, the Committee considers that addressing inequalities needs to be at the heart of the response to Covid-19 within your portfolio.

The Committee recognises the measures that you have recently announced to help Scotland's education system to recover from the COVID-19 pandemic. However, we consider that the

scale of the impact of the educational challenge resulting from the pandemic is not fully known at this stage. The Committee would therefore welcome information on what work the Scottish Government is undertaking to assess the educational impact of the pandemic upon children and young people and the financial implications of addressing that impact. The Committee considers that without such an assessment it is challenging to quantify the contribution the Scottish Government budget will make to addressing the undoubted impact that Covid-19 has had on education.

The Committee notes that the Cabinet Secretary for Finance and the Economy has confirmed plans to publish a multi-year resource spending review framework for consultation alongside the Scottish Government budget 2022-23. The Committee further notes that the UK Government has not set multi-year budgets since 2005, until last month's UK budget, and that this can be a constraint upon the ability of the Scottish Government to do likewise. The Committee recognises that the provision of multi-year budgets has been a long-standing request from across the public sector, including education stakeholders. Post-pandemic, multi-year budgets will assist stakeholders to plan for recovery more effectively. Accordingly, the Committee considers that the provision of multi-year budgets, dealing with both capital and resource allocations, should be prioritised.

The extent to which there is a 'clear line of sight' from spending decisions through to outcomes has been a regular feature of debate with regard to budget scrutiny since the publication of the Christie Commission report in 2011. That this remains an issue across the Scottish public sector, including with regard to education expenditure by the Scottish Government, was emphasised by the Auditor-General for Scotland in his evidence to the Committee. The Committee considers that there continues to be a need for a clearer linkage from expenditure to outcomes including the provision of measurable 'milestones' to enable scrutiny and monitoring of the progress towards outcomes. The Committee notes the commitments to monitoring and evaluation contained in the Scottish Government education recovery plan¹. The Committee notes the commitment in the education recovery plan to update Parliament on progress being made to update the robustness of data being collected in response to a Audit Scotland recommendation. The Committee requests an update on the progress that is being made on this issue.

The lack of a clear linkage between expenditure and outcomes on policy interventions on attainment was specifically highlighted, in evidence to the Committee, by the Auditor General. He observed that—

“with regard to public spending on PEF and the attainment challenge, it was just not clear enough what was being achieved. The outcomes were felt to be too anecdotal, with the reliance on surveys and the perspectives of headteachers. I am not challenging those views—I am sure that that is the reality of their situation—but given that we are now allocating a further £1 billion of public spending we need more robust data on what is actually being achieved”.²

The Committee acknowledges the role of the Pupil Equity Fund (PEF) can make and considers that the impact of the fund needs to be demonstrated through more robust data. The Committee notes that the Pupil Equity Fund (PEF) provides autonomy to headteachers on the use of the fund. However, the Committee does not consider that this precludes an evaluation framework being put in place in order to allow an assessment to be made of spend on and of

¹ [Coronavirus \(COVID-19\) education recovery: key actions and next steps.](#)

² Official Report, 3 November 2021, Col.33.

any outcomes that follow from that expenditure. The Committee requests information on what framework you intend to put in place to allow for effective scrutiny of spend and of intended outcomes of attainment funding expenditure given that the Scottish Government intends to allocate £1 billion to addressing the attainment gap and support education recovery.

Critical to the effective monitoring of outcomes is the adequacy of the data that underpins the outcomes. The Committee recognises that there is a wealth of data with regard to attainment. As highlighted by the OECD and the Auditor-General for Scotland, there is currently a lack of quality data relating to other aspects of the Curriculum for Excellence. The Committee notes that the Scottish Government has plans for a health and well-being census with initial results potentially due around the end 2022. The Committee requests an update on your plans to improve the quality of data to cover all aspects of the Curriculum for Excellence. The Committee recognises that this data may be derived from a number of sources and may be potentially qualitative as well as quantitative. The Committee would welcome information on any data that may be sourced through the involvement of pupils, parents and teachers.

In a written submission to the Committee, Audit Scotland commented with regard to budget allocations for primary and secondary school education that—

“Most of the real-terms increase in spending on primary and secondary school education across Scotland since 2013/14 can be attributed to the Attainment Scotland Fund (ASF). The Scottish Government set this up in 2015/16 to close the poverty related attainment gap. When this is excluded, real-terms spending by councils increased by 0.7 per cent during the period, to just over £4.1 billion. When it is included, spending increased by 5.1 per cent in real terms, from £4.1 billion to £4.3 billion”.

The Committee considers it imperative that this trend continues and that the Scottish Government continues, in its allocations within the 2022-23 budget, to enable and work with local government to maintain real terms increases in investment for primary and secondary school education.

The Committee has considered the issue of the adequacy of the evidence base which assesses the extent of rural deprivation. The Committee recognises that rural deprivation can often be located in pockets of deprivation within otherwise more affluent areas. The Committee would welcome your view of the adequacy of current indicators to measure rural deprivation which underpin allocation of funding. The Committee recommends that this is an issue which you could explore further through dialogue with COSLA.

It is not possible to discern from the work carried out by the Auditor General or Account Commission that the additional costs of provision of education services in rural parts of the country, in schools, colleges and universities, which arise because of rurality are sufficiently provided for. The Committee notes that the funding formula seeks to account for these costs so far as local authority funding is concerned. However, there appears to be no direct evidence that these extra costs, for example more buildings to maintain and more staff to employ, additional transport costs through longer journeys, have, in the current allocations of public funding, been fairly or sufficiently provided for. That may be the case but without any clear evidence base it is not possible at present to tell. Moreover, this is not an area that the Auditor General or Accounts Commission have covered in their work.

The Committee therefore encourages the Scottish Government to work with the Auditor General for Scotland and the Accounts Commission to ensure that the impact of issues of

rurality upon actual financial costs are explicitly considered in future. The Committee recommends that that this work is done in conjunction with education providers and stakeholders in rural or largely rural areas.

The Committee notes the Scottish Funding Council's (SFC) review of the provision and sustainability of tertiary education and that the Scottish Government response accepts the majority of the recommendations made in that review. The Committee welcomes that, as part of that response to the SFC review, the Scottish Government signalled that multiyear financial settlements would be consulted on and potentially rolled out. The Committee considers that the provision of multi-year settlements will provide colleges with better opportunities to plan the delivery of their services. Accordingly, the Committee considers this recommendation should be implemented promptly and requests further information on the plans and timescale for consultation.

Audit Scotland summarised the current financial position of the colleges sector in the following terms—

“the gap between the sector's total income and expenditure is widening, and was £54 million in academic year 2019-20. This is forecast to continue because of costs that are beyond colleges' direct control, such as pensions and depreciation of assets. After stripping out these costs, the sector's underlying financial position (adjusted operating position) was a surplus of £3.8 million in 2019-20. This was around £9 million lower than the previous year”³.

The Committee notes that the Scottish Government has allocated small real-terms increases in funding to the colleges sector in recent years. The Committee is also aware that two of the biggest financial challenges facing the sector are increases in employer contributions to pension schemes and additional staff costs arising from both cost of living pay awards and the outcome of National Bargaining. The Committee recognises that the implementation of the SFC review will result in significant structural change within the sector. The Committee is concerned that any such structural change must not endanger community-based college provision. In this regard, the Committee recognises the validity of the Auditor General's view “that structural change must be clear in its purpose to improve outcomes for people who use and rely on public services”⁴. The Committee would welcome your view on this issue.

Yours sincerely

Stephen Kerr MSP
Convener

³ Audit Scotland, Written Submission, p.5.

⁴ Official Report, 3 November 2021, Col.23.

Cabinet Secretary for Education and Skills

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13 December 2021

Dear Convener

Pre-Budget Scrutiny 2022-23

Thank you for your letter of 10 November 2021 on behalf of the members of the Education, Children and Young People Committee setting out the views of the Committee in advance of the Scottish Government budget 2022-23.

As you know the Draft Budget 2022-23 was published on 9 December. For Education and Skills, the resource budget has increased by 4% and the capital budget by 21.6%. As part of this allocation we are making our biggest increase in funding to support teacher recruitment since 2007. We are providing £145.5 million for teachers and classroom assistants, sufficient to employ around 2,500 teachers and 500 support staff. This funding will enable local authorities to employ additional staff recruited during the pandemic on permanent contracts. It marks significant progress in delivering our commitment to the recruitment of at least 3,500 teachers and 500 classroom assistants over this Parliament. We are also increasing initial teacher education places to support further growth, supported by an additional £2 million.

The Scottish Government has also provided funding of over £70 million for Primary 4 and 5 term time and special school lunches and for initial investment in school kitchens ahead of the roll-out of free lunches to all primary school children later in the parliamentary term. My officials will also be working with CoSLA to agree a new delivery timetable for the roll-out of lunches to children in Primary 6 and 7.

We are also investing £15 million in the infrastructure required to provide a digital device to every school-aged child by 2026, split across both resource and capital budgets. We will also

tackle the digital divide in further and higher education by investing £5 million for universities, colleges and community learning providers to purchase digital equipment.

The Education and Skills portfolio is investing a further £5 million to renew play parks in Scotland. This is the next phase of our investment in a £60 million programme to ensure children have access to high quality outdoor play in their own communities. We will have invested £10 million by the end of 2022-23.

We are providing over £328 million in higher education student support for bursaries, grants and tuition fees. Our continued commitment to free tuition ensures that eligible Scottish domiciled students studying in Scotland do not incur up to £27,750 of additional student loan debt. The draft budget ensures the lowest student debt levels in the UK, provides the care experienced bursary, and delivers the most generous bursary support in the UK for college students.

In 2022-23, the draft budget allocation in cash terms across resource and capital is the highest level of funding ever for colleges and universities. The college budget for 2022-23 maintains college resource funding at £675.7 million. Capital funding for colleges has increased by £41 million to £74.7 million. It has increased in line with the capital spending review but also includes the additional £5 million of digital funds to be allocated to the college, university and community learning and development sectors. The budget for 2022-23 increases university resource funding by £21 million to £789.2 million and increases capital funding by £1.3 million to £348 million. The increase of £21 million for university resource is ongoing support for additional places previously added for those affected by the SQA alternative certification model.

In regards to your letter, the Annex below responds to the points raised by the Committee as part of your Pre-Budget Scrutiny. I am giving evidence to Committee on 12 January 2022 and I am happy to answer further questions at that time.

I hope you and the Committee members have an enjoyable Christmas recess.

Yours sincerely

Shirley-Anne Somerville

Education, Children and Young People committee Pre-Budget Scrutiny 2022-23

... the Committee considers that addressing inequalities needs to be at the heart of the response to Covid-19 within your portfolio

Response

Advancing equity and reducing inequality is at the heart of the Education and Skills portfolio's investment. The key inequalities being tackled by the Education and Skills portfolio through targeted budget spend are characterised by differences in development and attainment levels, and consequent inequality in social and economic outcomes, for children and young people with protected characteristics or experiencing socio-economic disadvantage.

The Scottish Government continues to prioritise funding to: raise attainment and to close the attainment gap through prevention and early intervention; to provide the expanded statutory entitlement to 1,140 hours per year of high-quality early learning and childcare; and ensure the role that the further and higher education sectors, and skills provision play in supporting inclusive economic growth is maximised. Given the continued need to respond to economic challenges in the context of the UK's exit from the EU and the COVID-19 recovery, the Scottish Government continues to prioritise investment in skills and training to support an education and skills-led recovery

The Committee would therefore welcome information on what work the Scottish Government is undertaking to assess the educational impact of the pandemic upon children and young people and the financial implications of addressing that impact.

Response:

As the committee has recognised, the Scottish Government acted quickly to address the educational impact of the pandemic, including the investment of an additional £0.5 billion during 2020-21 and 2021-22.

Our [education recovery plan](#)⁽¹⁾ sets out how that investment is being used as part of our ongoing response, as well as highlighting key next steps in continuing to address those impacts. It also references a schedule of forthcoming data and evidence releases that will help to continuously assess the impact of the pandemic on children and young people.

A central part of that evidence is the National Improvement Framework Interactive Evidence Report. This brings together available evidence on achievement, attainment, health and wellbeing, and includes a specific focus on differences between children living in the most deprived and least deprived areas.

¹ [Coronavirus \(COVID-19\) education recovery: key actions and next steps - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/html/2020/06/20200616-education-recovery-plan-key-actions-and-next-steps)

Whilst the pandemic and interruption to business as usual has caused some gaps in available evidence, additional data sources have been identified to provide further evidence on the impact of the pandemic on children young people, parents and carers and the teaching workforce. These will be reported on in the NIF 2022 in December 2021.

The Scottish Government will continue to draw from that monitoring - which will add to existing material such as our Equity Audit which was published last year - to adjust the nature of our policy response as required.

The Covid-19 Expert Advisory Group on Universities and Colleges (EAG) has been undertaking work focused on the wider harms of the Covid-19 pandemic on college and university staff and students as well as learners within Community Learning and Development (CLD) setting. University, college and student representatives have given oral and written evidence to the EAG of the wider harms. The EAG Chair and some of its members have also had themed evidence sessions with trade unions and CLD representatives. An EAG advice paper will be produced in early 2022 summarising the impact of the wider harms of Covid-19 on staff, students and learners within colleges, universities and CLD.

The support provided to students over the course of the pandemic has been substantial with now over £96 million provided via hardship funding, digital access, mental health support and for student associations. As part of that, the Scottish Government invested an additional £20 million earlier this year in recognition of reduced employment opportunities for students and continued hardship. These funds remain available for Further and Higher Education students who are experiencing hardship. The Scottish Government is continuing to engage regularly with NUS Scotland in order to understand the issues students are currently facing.

Accordingly, the Committee considers that the provision of multi-year budgets, dealing with both capital and resource allocations, should be prioritised

Response

The Scottish Government recognises the benefits of multi-year funding allocations but has been limited in its ability to do so. I and the Cabinet Secretary for Finance and the Economy agreed to confirm local authority Scottish Attainment Challenge allocations and Pupil Equity Funding allocations over four years. This was announced in Parliament on 23rd November as part of the refreshed Scottish Attainment Challenge. This multi-year funding enables school leaders and local authorities to plan for the long-term to tackle the poverty related attainment gap and support recovery for children and young people impacted by poverty.

In their review *Coherence and Sustainability: A Review of Tertiary Education and Research* publication (the review), SFC recommended that the Scottish Government (SG) enable them to provide more certainty for investments, beyond one year. In our response we committed to explore providing multi-year funding assumptions for Colleges and Universities.

In relation to this, the Cabinet Secretary for Finance and the Economy published a Resource Spending Review Framework alongside Budget 2022-23. The Framework initiates a national conversation on Scotland's public finances and sets out the

Scottish Government's intention to develop multi-year portfolio spending plans, to be published in May 2022.

We also announced the outcome of the Capital Spending Review (CSR) in February 2021 which set out capital allocations for 5 years to 2025-26. The CSR set out allocations to FE and HE institutions for maintenance and other capital investment. It also committed funding to HE institutions for research over the same term.

The Committee considers that there continues to be a need for a clearer linkage from expenditure to outcomes including the provision of measurable 'milestones' to enable scrutiny and monitoring of the progress towards outcomes. The Committee notes the commitments to monitoring and evaluation contained in the Scottish Government education recovery plan. The Committee notes the commitment in the education recovery plan to update Parliament on progress being made to update the robustness of data being collected in response to an Audit Scotland recommendation. The Committee requests an update on the progress that is being made on this issue

Response

As part of the successful delivery of the 1140 expansion of high quality funded early learning and childcare from August 2021 we are now working to develop an outcomes framework that, alongside our evaluation strategy, will allow us to measure the three main benefits of the programme and ensure that we continue to secure value for money for the public purse. These are: improving children's outcomes and helping to close the poverty-related attainment gap; increasing family resilience through improved health and wellbeing of children and parent; and, supporting parents into work, study or training.

A key, targeted, element of our education recovery plans is the investment of £1 billion to tackle the poverty related attainment gap and to support education recovery. The Scottish Government recognises the disproportionate impact the pandemic has had on children and young people from the most disadvantaged background. In the work underway to develop for the Scottish Attainment Challenge a framework for recovery and accelerated progress, an important element will be the identification of local stretch aims as part of the planning and reporting required for the programme. This will see local understanding of the impact of Covid-19 used to inform local approaches to addressing it and understanding of the progress made in doing so. This will then aggregate to an enhanced national understanding of progress as part of the Scottish Attainment Challenge.

The Scottish Government intends to explore the data and research that are required to inform an evaluation system and to support the systematic approach to curriculum review. A short-life sub-group of the curriculum and assessment board will be set up to explore options for a sample-based survey that will look across the capacities of

curriculum for excellence. The sub-group will specifically consider the workload implications for staff of such a survey.

More broadly, the Scottish Government remains committed to teacher professional judgement being the primary means of assessing progress in the broad general education. The Scottish Government will consider how to better support that process and the achievement of Curriculum for Excellence levels data in the future. A full review of the 11 key measures of progress, reported on through the National Improvement Framework, will be carried out in 2022.

In its review the SFC recommend the development of a new National Impact Framework for colleges and universities, linked to Scotland's National Performance Framework.

In our response, the Scottish Government supported this recommendation and agreed that SFC should lead the development of an associated National Impact Framework. This Framework would set out the outcomes and impact the Scottish Government should expect from colleges and universities, and how they will be assessed. The Scottish Government expects SFC to create this in a way that connects with Scotland's National Performance Framework, which incorporates the United Nation's Sustainable Development Goals, and in partnership with the Scottish Government, the sector, students and key interests.

The Committee requests information on what framework you intend to put in place to allow for effective scrutiny of spend and of intended outcomes of attainment funding expenditure given that the Scottish Government intends to allocate £1 billion to addressing the attainment gap and support education recovery.

Response

In setting out plans for the refreshed Scottish Attainment Challenge I made clear that there has to be a greater understanding of the impact of the investment to drive improvement.

The refreshed Scottish Attainment Challenge is an opportunity to inject further ambition and urgency into the work, and to restate and reinforce the specific roles and accountabilities of the range of actors who are responsible for improvement, including Education Scotland, schools, local authorities and RICs. To support this, a small working group which included COSLA, ADES, AHDS and SLS was convened to discuss outline principles for a framework for recovery and accelerating progress.

This framework will include the local identification of aims for progress – based on local knowledge and professional expertise – within the refreshed SAC programme. These will enable the Scottish Government to understand what schools and local authorities expect to achieve and by when; and take due account of the impact of Covid-19. From that, the Scottish Government will be able to determine its own national aims for progress.

In preparation for that collaborative work early in the new year, the Scottish Government are working with a number of LAs to learn from their approaches to

collaborative improvement at local level. The Scottish Government know that this approach to local improvement is not novel and is highly effective in some areas, the challenge is to ensure more consistency across the country.

The Committee requests an update on your plans to improve the quality of data to cover all aspects of the Curriculum for Excellence. The Committee recognises that this data may be derived from a number of sources and maybe potentially qualitative as well as quantitative. The Committee would The Scottish welcome information on any data that may be sourced through the involvement of pupils, parents and teachers.

Response

As part of the refreshed Scottish Attainment Challenge, the overall mission has been expanded to: *use education to improve outcomes for children and young people impacted by poverty with a focus on tackling the poverty related attainment gap.*

This recognises the need to reflect the breadth of achievements that contribute to improved outcomes for children and young people including through improved post-school participation in positive destinations.

In doing so, this presents better alignment with Curriculum for Excellence and the findings of the most recent OECD and Audit Scotland reports which both indicate the need for stronger national and local data in order to recognize how children and young people are progressing through all the four capacities, alongside attainment innational qualifications and awards.

A short-life sub-group of the curriculum and assessment board will be set up to explore options for a sample-based survey, looking across the all the four capacities of curriculum for excellence.

The Scottish Government is committed to centring the views of children and young people throughout our policy making, including on how to measure their progress. The Scottish Government is currently working with a consortium of children and young people's organisations to develop a strategic approach to this engagement which responds to their needs and find creative ways to draw in young people's views while this approach is developed.

More broadly, the Scottish Government remains committed to teacher professional judgement being the primary means of assessing progress in the broad general education. The Scottish Government will consider how to better support that process and the achievement of Curriculum for Excellence levels data in the future. A full review of the 11 key measures of progress, reported on through the National Improvement Framework, will be carried out in 2022.

The Committee considers it imperative ... that the Scottish Government continues, in its allocations within the 2022-23 budget, to enable and work with local government to maintain real terms increases in investment for primary and secondary school education.

Response

In terms of the Attainment Scotland Fund specifically, the Scottish Government has evidenced its continued commitment to tackling the poverty related attainment gap by committing to investing £1 billion over the course of this parliament – and increase on the £750 million invested during the last parliamentary term.

The Scottish Government is committed to investing in the education workforce through the allocation of additional permanent funding for local government of £145.5 million from 2022-23, to support the recruitment of additional teachers and pupil support staff. This is part of the Scottish Government's commitment to 3,500 additional teachers and 500 classroom assistants over the parliamentary term.

The Scottish Government have already, in partnership with local authorities, delivered on our commitment to increase the level of school clothing grant in Scotland, increasing this vital support to at least £120 for primary school pupils and £150 for secondary school pupils from August 2021. This has been supported by £12 million of funding which will be maintained during 2022-23. We will also introduce statutory guidance for schools, increasing the use of generic items of uniform and reducing costs for families, during the Parliamentary Term.

In addition, we have in partnership with local authorities introduced free school lunches during term time for P4 children by August 2021 and to P5 children from January 2022. Work to continue to support implementation of the expansion of universal free school meals and free school meal support during school holidays will continue during 2022-23. This will be supported with over £72 million to continue to fund expansion of free lunches, within a phased approach to delivery for all primary school pupils, and over £21 million to continue the provision of free lunches during the school holidays, focussed on those who will benefit the most.

We have already committed over £13 million of funding to remove remaining charges associated in some areas of Scotland with instrumental music tuition and with certain lessons within the core curriculum such as art or home economics. This removes cost as a factor when children and young people and their families and carers are considering what elements of education they want to pursue.

We are also investing over £15 million to undertake preparatory work for the commitment to provide a device for every child by the end of the parliamentary session.

The Committee would welcome your view of the adequacy of current indicators to measure rural deprivation which underpin allocation of funding. The Committee recommends that this is an issue which you could explore further through dialogue with COSLA.

Response

Much of the criticism of the indicators used to identify rural deprivation relates to the Scottish Index of Multiple Deprivation (SIMD). The SIMD uses a wide range of data across various subject areas (income, education, health,

housing, etc.) to identify high concentrations of deprivation at small local level geographies. The SIMD is used in only two lines in education:

- Adult Literacy and Numeracy, where £5.6 million is distributed based on the number living in the top 20 per cent most deprived data zones; and
- ELC where £18 million is distributed on the number of ELC centres in deprived areas (this element is currently under review).

SIMD has previously been used to select Challenge Authorities for the Scottish Attainment Challenge, however from 2022-23 this funding will be allocated using Children in Low Income families (CiLIF) data, which is discussed below.

Free School Meal registration (FSM) data were used to distribute about £200 million in the core 2021-22 settlement, mainly through the Pupil Equity Fund and Education Deprivation GAE. It was also used to distribute 20 per cent of the Education Recovery funding following Covid. In general FSM data relate to individuals and so is unaffected by whether deprivation is in small pockets within affluent areas. The exception to this is the Education Deprivation GAE funding which specifically targets schools that have high concentrations of deprivation due to the additional difficulties this causes.

Children in Low Income Families data combine information from DWP on benefit recipients and HMRC on low incomes. These were used to distribute about

£130 million in the 2021-22 settlement, and this is likely to increase in the 2022-23 settlement. The move to using this instead of the previously used benefits data has also resulted in an increase in deprivation funding going to rural areas, as families on low income are also included. Given the increasing reach of universal provision of free school meals, CiLIF data will also, in due course, replace the use of FSM data.

The Scottish Government are satisfied that both of these indicators adequately reflect rural deprivation but would be happy to hear about concerns.

The Settlement and Distribution Group (SDG) is a joint SG/COSLA committee that oversees all recommendations regarding the funding formula and the indicators used. The SDG already has on its work-plan for 2022 a review of the deprivation indicators used in the settlement and the weighting they are given. The suitability of the indicators for both rural and urban areas will be included in this review.

The Committee therefore encourages the Scottish Government to work with the Auditor General for Scotland and the Accounts Commission to ensure that the impact of issues of rurality upon actual financial costs are explicitly considered in future. The Committee recommends that that this work is done in conjunction with education providers and stakeholders in rural or largely rural areas.

Response

The local government needs-based formula used to distribute the quantum of funding available for local government is kept under constant review and is agreed with COSLA on behalf of all 32 local authorities each year.

As the Committee notes, the local government funding formula takes account of rurality and the additional cost of providing education services through various elements. For example, the funding formula gives twice as much allocation per primary pupil in small rural schools than for other pupils, with additional funding then for those on islands. The formula also gives 20 per cent more support per secondary pupil in the islands than mainland pupils. Support for pupil transport is also heavily weighted towards those in rural areas.

The Scottish Government is always open to suggestions to improve the funding formula; however, proposals must properly come through COSLA in the first instance.

The recent Convention of the Highlands and Islands (CoHI), on 25 October 2021, recognised the unique challenges and opportunities of developing tertiary education in the Highlands and Islands. It asked the Scottish Government to take that into consideration in the response to and implementation of the SFC Review. The Convention recognised wider issues on staff retention, targeted support for communities, digital connectivity and housing infrastructure and access to Gaelic.

CoHI welcomed plans for a University of the Highlands and Islands (UHI) curriculum review to ensure they are meeting existing and future needs and asked for that activity to be taken forward in consultation with the institutions, unions, students and other stakeholders.

In the SFC review response SG acknowledged that the UHI has been working closely with its academic partners to become a more fully integrated tertiary institution that thrives in the future and delivers for communities and other stakeholders in the region, as recommended by the SFC. The Scottish Government would expect it to continue this direction of travel.

The Committee considers that the provision of multi-year settlements will provide colleges with better opportunities to plan the delivery of their services. Accordingly, the Committee considers this recommendation should be implemented promptly and requests further information on the plans and timescale for consultation.

Response

The Scottish Government is currently working on an implementation plan and timetable for the review recommendations with SFC and will update the Committee with the plans and timescale for consultation on multi-year funding assumptions as this is finalised.

The Committee recognises that the implementation of the SFC review will result in significant structural change within the sector. The Committee is concerned that any such structural change must not endanger community-based college provision. In this regard, the

Committee recognises the validity of the Auditor General's view "that structural change must be clear in its purpose to improve outcomes for people who use and rely on public services". The Committee would welcome your view on this issue.

Response

The SFC review recommendations are not aimed at changing the structure of the college or university sectors. In our response to the review the Scottish Government stated that we are looking forward to working closely with the SFC and the sector on the assumptions that should underpin future funding models, including an exploration of the way the Scottish Government set targets and support the delivery of learning throughout life. While this is primarily focused on the SFC's own required work on funding models, the Scottish Government recognises the need for a partnership approach, involving government and the sector, in order to test and model the underlying policy and distribution assumptions. The Scottish Government anticipate this work connecting with the recommendation on moving towards a fair and appropriate distribution of investment across the college sector that takes account of the implications of funding national bargaining and the need to make adjustments to return to a more transparent price time's volume model.

Annexe B

Joint letter from Colleges Scotland and Universities Scotland regarding Scottish Governments 2022/ 2023 Budget Decisions

21 December 2021

Education and Skills Committee
Committee Convener

Ref: SS/KL

Dear Convener

Scottish Government's 2022/23 Budget Decisions

We write jointly as the representative bodies of both the college and university sectors to ask you to consider holding a session, early in the new year, to scrutinise the Scottish Government's 2022/23 budget decisions for the post-16 education sector.

The settlement will translate into a real terms cut to funding for both sectors, leaving institutions without the resource needed to deliver some key aspects of provision that relied on COVID consequential last year. To us, this feels distinctly at odds with the Scottish Government's stated priority of education at all levels and the important role that universities and colleges will continue to play in Scotland's social, cultural and economic recovery from COVID-19.

We feel the Committee's important role of scrutiny has never been more important given the Budget Bill's guaranteed passage through Holyrood as a result of the Cooperation Agreement. We recognise the outcome of the Budget Bill for 2022/23 is unlikely to change but we feel the settlement for the college and university sectors needs some focused Parliamentary attention.

The real terms cut in the 2022/23 budget settlement for further and higher education is part of an established overall pattern of a lack of investment universities and colleges which has put real pressure on our students, staff and infrastructure.

We asked for increased investment in universities' capacity for research and innovation given the proven link to leverage of private and other investment into Scotland, supporting the recovery, high-skill jobs and fuelling sustainable growth. We also asked the Scottish Government to use this budget to invest more in teaching on a per student basis to address chronic underfunding. University students have faced three years of disruption to their degrees. We now have strong and concerning evidence that the disruption is taking an undeniable toll on students' educational resilience and mental health: 80% of students feel the pandemic has had a negative impact on their learning; 74% report having low wellbeing and more than a third reported moderate or severe depression. Universities critically need funding levels that will help us to support and redress these needs.

Colleges' students have also faced severe challenges. As the Committee will know, colleges are a popular destination for those from the lowest socio-economic backgrounds with 38% of school leavers from SIMD20 moving into further education. In order to continue to support those students (and all students) the budget is challenging given the lack of future funding for services, including mental health support which in 2021/22 was covered by Covid-Consequential funding. The harm which has been caused to young people, individuals in work of all ages, and to the structure of the economy, requires a strong skills-led recovery over the coming years. Scotland's colleges an important place for the seeds of recovery to take hold and flourish, delivering reskilling, upskilling, career improvement and holistic support to people locally and regionally, across the country.

The Committee's exploration of this situation, early in the new year, would make a helpful and timely contribution to the Scottish Government's Resource Spending Review Framework which could determine funding for a multi-year period. The Scottish Government has indicated its intention for this process to be consultative and to engage widely to ensure stakeholder voices are heard so we hope the Committee's time on it would be welcomed in that spirit. We very much welcome the Scottish Government's intention to present a multi-year budget and the opportunity for stakeholders to inform the Scottish Government's thinking. However, the outcome of the 2022/23 budget sends the deeply unfortunate signal that the Scottish Government does not fully recognise the role that colleges and universities play in the critical delivery of education, skills, and research, which absolutely support economic recovery and transformation. In that context, we are very concerned of the prospects for colleges and universities in a multi-year settlement which the Cabinet Secretary for Finance is expected to deliver in May 2022.

We appreciate the Committee already has a very busy programme of work for 2021/22 but we hope you will give this serious consideration.

Yours Sincerely

Alastair Sim
Director
Universities Scotland

Shona Struthers
Chief Executive
Colleges Scotland

Annexe C

Email From: Finance and Public Administration
Sent: Thursday, December 16, 2021 5:08 PM
Subject: Medium-Term Financial Strategy: content review

Dear Committees

Medium Term Financial Strategy: content review

The Finance and Public Administration Committee is undertaking a short, focussed review of the content of the Scottish Government's Medium-Term Financial Strategy to establish whether it meets the ambitions of the Budget Process Review Group and if any improvements can be made. We would welcome your views by 4 February 2022 to help shape future strategies.

The Medium-Term Financial Strategy (MTFS) sets out the Scottish Government's expectations and broad financial plans and projections for at least five years ahead on a rolling basis. Usually published in May each year, parliamentary committees use the MTFS to inform their pre-budget scrutiny. The latest MTFS was published alongside the Scottish Budget 2022-23 on 9 December, however it is expected to return to the usual May publication date in 2022.

The Budget Process Review Group (BPRG) in 2017 noted that the MTFS is intended to capture an overview of the financial implications of existing policy, so these can be understood in formulating detailed budget proposals later in the budget cycle. It enables a medium-term perspective on public finances to be maintained throughout each parliamentary session and to support a broad approach to the budget and formulation. The BPRG anticipated that the Scottish Government should work towards the MTFS consisting of the following four elements:

- forecast revenue and demand-led expenditure estimates from the Scottish Fiscal Commission and their effect on Scotland's public finances
- broad financial plans for the next five years
- clear policies and principles for using, managing and controlling the new financial powers, and
- scenario plans, based on economic forecasts and financial information in order to assess the potential impact of different scenarios on the budget.

In line with BPRG recommendations, the Written Agreement between the Scottish Government and this Committee suggests that the content of the MTFS should be kept under review as it develops over time. Last session, the Finance and Constitution Committee began working with the Scottish Government on how the content of the MTFS might be improved and, as part of this work, subject committees and external experts were invited to submit their views on what would be helpful to see in the MTFS. This work was paused due to other pressures.

The Legacy Expert Panel report to the Session 5 Committee recommended that a review of the content of the MTFS should take place early in the new session.

The Committee therefore seeks views from parliamentary committees, members of the BPRG and other experts, by 4 February 2022. on:

- whether the MTFS meets the intended objectives of the BPRG, i.e. if it sets out the Scottish Government's expectations and broad financial plans and projections for at least five years ahead on a rolling basis,
- the extent to which the MTFS now contains all four elements envisaged by the BPRG,
- how well the MTFS sets out the future financial implications of current policy decisions,
- whether the MTFS provides committees with a hook for scrutiny of the medium-term priorities for, and risks to, the Budget,
- how adequately the MTFS sets out the future objectives for approaches in cross-cutting areas such as climate change, the economy and equalities, and
- where improvements could be made to the content to better support parliamentary scrutiny.

The Committee will then consider hearing from witnesses, before producing a report for the Scottish Government to take account of when drafting the next MTFS to be published in May 2022.

Finance and Public Administration Committee

The logo for SPICe (The Information Centre) is a purple rounded rectangle. The text 'SPICe' is in white, with 'SPIC' in a larger font and 'e' in a smaller font. To the right of 'SPICe', the text 'The Information Centre' and 'An t-Ionad Fiosrachaidh' is written in white.

The Information Centre
An t-Ionad Fiosrachaidh

Education, Children and Young People Committee

12 January 2022

Budget 2022-23

Introduction

On 9 December 2021, the Scottish Government published:

- [Scottish Budget 2022-23](#)
- [Equality and Fairer Scotland Budget Statement 2022-23](#)
- [Scottish Budget 2022-23 – Carbon Assessment](#)
- [Medium Term Financial Strategy](#)
- A consultation paper—
[Investing in Scotland's Future: Resource Spending Review Framework](#)
- Papers on tax and public pay policy.

This paper focuses on a number of areas of spend and outcomes within the portfolio of the Cabinet Secretary for Education and Skills. It also briefly sets out the local government settlement.

The Cabinet Secretary for Finance and Economy described the budget as transitional. Her foreword to the Budget stated—

“It paves the way for a full Resource Spending Review in May 2022 which will set out the government’s long-term funding plans and the roadmap for delivering key commitments, such as the establishment of a National Care Service and ending our contribution to climate change through a just transition.”

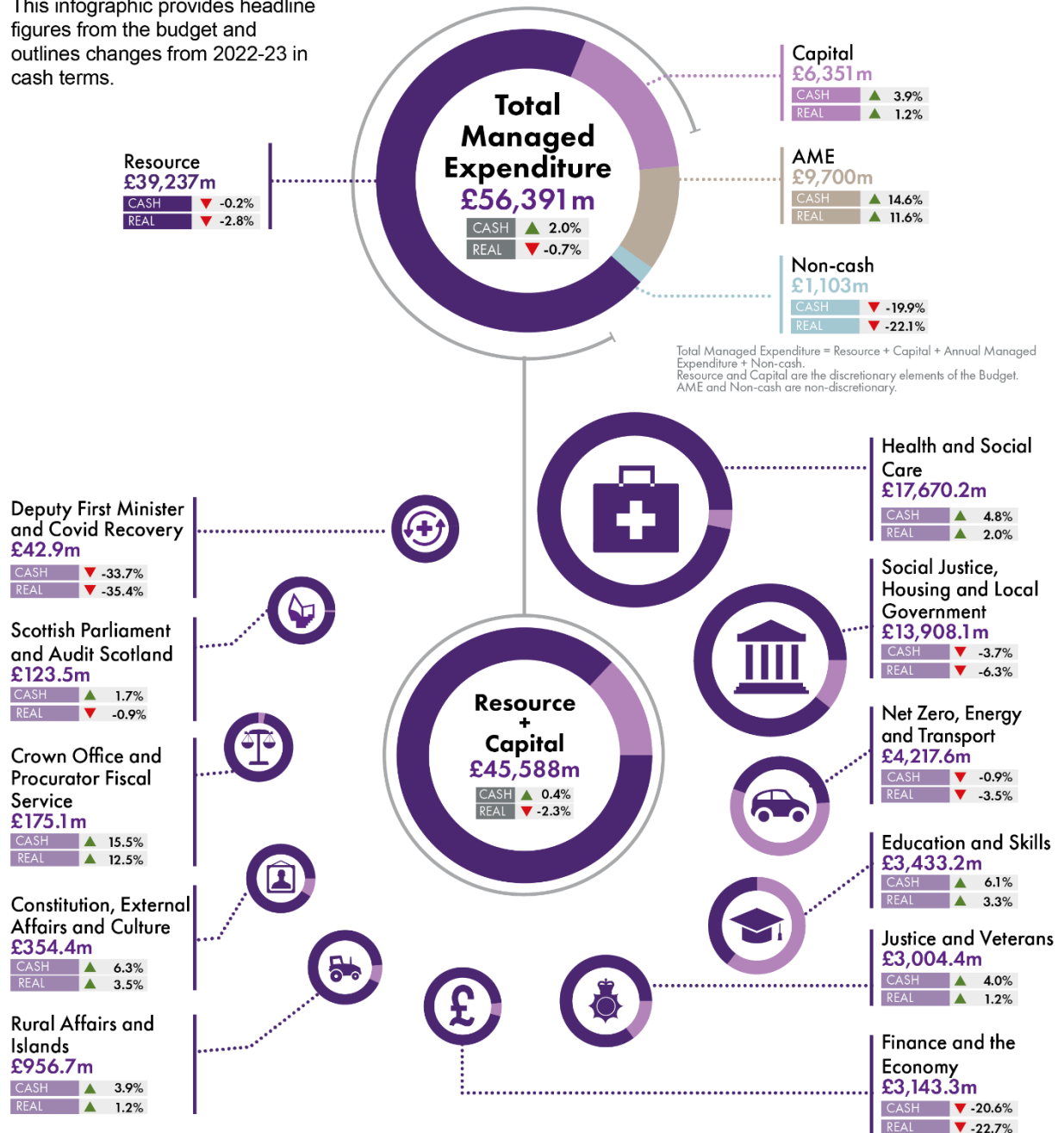
For context the figure below shows the planned total managed expenditure across the entire budget.



Scottish Government Budget 2022-23

SB 21-87i

This infographic provides headline figures from the budget and outlines changes from 2022-23 in cash terms.



This infographic is based on Annex B of the Scottish Budget 2022-23 document which include COVID funding in 2021-22.

This paper outlines the consultation paper on the Spending Review. The [Committee wrote to the Scottish Government as part of its pre-budget scrutiny](#) which set out:

- the need to better understand the impact of the pandemic;
- seeking multi-year budgets;
- a desire for clearer linkage between spending decisions and the impact on outcomes, including in rural areas; and
- the budgets for colleges.

The Cabinet Secretary for Education and Skills wrote to the Committee on 13 December 2021. She highlighted a number of spending areas within her budget. The Annex to that letter responds to the Committee's pre-budget letter in more detail.

Overall Education and Skills Budget

The Education and Skills portfolio funds a range of policy areas, including higher and further education, children and families policy, and some school and ELC funding. The majority of day-to-day expenditure of school education, ELC, and child social work is largely funded by local authorities through their discretionary budgets. The table below shows the level 2 expenditure plans.

Table 1 Education and Skills, Level 2

| | £m | | |
|--|----------------|----------------|-----------------|
| | 20-21 | 21-22 | 22-23 |
| Learning | 297.8 | 426.3 | 583.3 |
| Children and Families | 149.7 | 182.4 | 220.2 |
| Early Learning and Childcare Programme | 39.8 | 39.8 | 56.8 |
| Higher Education Student Support | 925.6 | 1,399.30 | 1,017.60 |
| Scottish Funding Council | 1,880.10 | 1,911.00 | 1,973.80 |
| Advanced Learning and Science | 13.4 | 20.6 | 22.9 |
| Skills & Training | 271.1 | 277.2 | 271.9 |
| COVID-19 Funding | - | 68 | - |
| Total | 3,577.5 | 4,324.6 | 4,146.50 |

The table above includes plans for spending on resource (day to day spend), capital, non-cash (often depreciation), Financial Transactions (loans), and UK funded annual managed expenditure (AME). AME is for demand-led expenditure. In this portfolio, the AME refers to the Student Loans company. The table below shows the totals split by these categories.

Table 2 Education and Skills, by type

| | £m | | |
|------------------------------|---------|---------|---------|
| | 20-21 | 21-22 | 22-23 |
| Total Fiscal Resource | 2,497.1 | 2,815.0 | 2,927.1 |
| Non-cash | 237.4 | 673.2 | 352.0 |
| Capital | 395.5 | 398.0 | 484.0 |
| Financial Transactions (Net) | 55.0 | 22.1 | 22.1 |
| UK Funded AME | 392.5 | 416.3 | 361.3 |

This table shows that what appears to be a decrease in funding in the portfolio is explained by non-cash and AME. Neither of which are discretionary spend. In real terms⁵ the resource and capital lines increased by 1.2% and 18% respectively.

The budget identifies which [outcomes under the National Performance Framework](#) the spending in the Education and Skills portfolio are intended to support. Primarily the outcomes are:

- Education
- Children and Young People

There are also outcomes listed as 'secondary'. These are:

- Economy
- Poverty
- Communities
- Human Rights
- Fair Work and Business
- International
- Culture

The National Improvement Framework sets out the actions the Scottish Government will be taking in the coming year to improve school education and ELC. This year the actions are contextualised as responses to reports by the International Council of Education Advisers' report of December 2020, Audit Scotland's March 2021 report on the outcomes for young people in school education, and the OECD's review of CfE. The NIF identified a number of themes through these reports and stated that the planned actions reflect these. The themes are:

- A co-ordinated response to combatting the effects of the pandemic and a recovery in education.
- The need to continue efforts to close the poverty related attainment gap.
- The importance of developing the range and consistency of education data.
- The need to combine effective collaboration with clear roles and responsibilities.
- The importance of digital infrastructure and connectivity.
- The health and wellbeing of staff and learners (including mental wellbeing).
- Putting children and young people at the centre of everything we do.

The Resource Spending Review Framework

The Resource Spending Review Framework (RSRF) is a consultation document to support a spending review for resource spending. This review will not include capital spend, which was the subject of a [spending review published in February 2021](#). The RSRF says that the Government's approach to the spending review will be:

⁵ Calculated using [HMT GDP deflators \(Oct 2021\)](#)

- Outcome-focused
- Evidence-informed; and
- Consultative.

The RSRF also set out the Scottish Government's three 'core priorities' of the spending review. These are—

- To support progress to meet our child poverty targets
- To address climate change
- To secure a stronger, fairer, greener economy

The RSRF set out the fiscal context of the coming years. This included scenarios for funding available and demand on services, particularly in relation to demographic changes. The review stated—

“With limited resources, increased investment in the Scottish Government's priorities will require efficiencies and reductions in spending elsewhere: we need to review long-standing decisions and encourage reform to ensure that our available funding is delivering effectively for the people of Scotland. The Resource Spending Review will, through evidence and consultation, develop four-year spending plans with the aim of managing the financial risks we face and maximising the impact of our available funding.” (p23)

The RSRF identified areas to explore which may make public spending more effective. There is some continuity here with the recommendations of the report of the Christie Commission in 2011. These areas are:

- Cross-government collaboration to reduce duplication;
- Public service reform;
- Preventative spend;
- The capacity and distribution of Scotland's public service workforce;
- Better targeting of some policies in order to focus on achieving outcomes for those most in need, whilst releasing funding to be put towards other measures; and
- Targeted revenue raising.

A number of the issues raised in the RSRF are likely to be of interest to the Committee and of relevance to the policy areas the Committee is concerned with. In terms of multi-year funding, the Cabinet Secretary's letter stated that resource funding for the FE/HE sectors will be considered as part of the RSRF but that the Scottish Attainment Challenge allocations and Pupil Equity Funding allocations will be confirmed over four years.

The Scottish Government's consultation on the RSRF will close on 27 March 2021.

Further and Higher Education

The budget allocations for college and university are explored in the sections below. Priorities identified in the Budget 2022-23 document are:

- £5m investment for digital equipment for colleges, universities and community learning providers to address the ‘digital divide’ and help students access laptops and other equipment.
- Support the Scottish Funding Council (SFC), college and university sectors to deliver the agreed recommendations of the SFC’s Review of Coherent Provision and Sustainability.

In the [Committee’s pre-budget letter to the Cabinet Secretary for Education](#), the Convener asked for information about what work the Scottish Government is doing to assess the impact of the pandemic on children and young people. Information about the financial implications of addressing this was also sought. [In her response, the Cabinet Secretary for Education stated](#) that an advice paper from the Covid-19 Expert Advisory Group on Universities and Colleges on the impact of COVID-19 on staff and students in colleges and universities is due in early 2022. While no further funding for student mental health and wellbeing was announced in the budget, the Cabinet Secretary said existing funds remain available.

In a joint letter to the Committee in December 2021, Colleges Scotland and Universities Scotland raised concerns about the 2022-23 budget settlement for colleges and universities, stating it was “part of an established overall pattern of a lack of investment” in universities and colleges. For universities, Universities Scotland have called for increased investment in teaching on a per student basis, as well as on research and innovation. For colleges, funding to support students was highlighted as a key issue. Both organisations asked the Committee to look at these issues in its budget scrutiny.

Further Education

Table 3a shows the net college capital and resource budget over the last three years. **Table 3b** shows the 2022-23 budget in real terms 2021-22 prices.

Table 3a: Net college capital and resource budget - Cash terms (£m)

| | 2020-21 | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|-----------------------------|---------|---------|---------|---------------------------------|-----------------------------------|
| Net College Resource Budget | 640 | 675.7 | 675.7 | 0.0 | 0.0% |
| Net College Capital | 35.7 | 33.7 | 74.7 | 41.0 | 121.7% |

Table 3b: Net college capital and resource budget – Real terms 2021-22 prices (£m)

| | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|-----------------------------|---------|---------|---------------------------------|-----------------------------------|
| Net College Resource Budget | 675.7 | 657.9 | -17.8 | -2.6% |

| | | | | |
|----------------------------|------|------|------|--------|
| Net College Capital Budget | 33.7 | 72.7 | 39.0 | 115.7% |
|----------------------------|------|------|------|--------|

[Source: SPICe Real Terms calculator](#)

This year's budget sees colleges receive a flat cash revenue settlement (see Table 3a, representing a real-terms fall of 2.6% (see Table 3b). The capital budget has increased by £41m. This capital increase reflects additional funding allocated in the [February 2021 Capital Spending Review](#); the [Infrastructure Investment Plan](#) published at the same time outlines this will be spent on the new build Dunfermline Learning Campus. The [Scottish Government's Level 4 budget data](#) also states some of the capital increase is for addressing student digital poverty. Overall funding of £5 million is available to be split between colleges, universities and community learning development.

In [her response to the Committee's pre-budget scrutiny letter](#), the Cabinet Secretary for Education wrote:

"The college budget for 2022-23 maintains college resource funding at £675.7 million. Capital funding for colleges has increased by £41 million to £74.7 million. It has increased in line with the capital spending review but also includes the additional £5 million of digital funds to be allocated to the college, university and community learning and development sectors."

However, [responding to the publication of the budget Colleges Scotland said](#) that the overall college settlement was a "flat cash position", representing a "real-terms cut" due to inflation. Colleges Scotland stated:

"For revenue for 2022/23, colleges will receive £675.7m, the same as in 2021/22. The Capital expenditure announced today totals £74.7m – the Capital funding available to the sector remains the same at £33.7m, plus an additional £41m for the Dunfermline Learning Campus and for a share of Digital investment."

The [Committee's pre-budget scrutiny letter](#) to the Cabinet Secretary for Education and Skills quoted Audit Scotland's summary of the college sector's current financial position [in a November 2021 paper](#). This found of a £54m gap between income and expenditure in academic year 2019-20. Audit Scotland stated this gap was forecast to continue due to "costs that are beyond colleges' direct control". These costs include pensions and depreciated of assets. Audit Scotland added that, after stripping out such costs:

"...the sector's underlying financial position (adjusted operating position) was a surplus of £3.8 million in 2019-20. This was around £9 million lower than the previous year."

Staff costs - which account for around 68% of colleges' expenditure - and increases in employer contributions to pension schemes were highlighted by Audit Scotland as two of the "biggest financial challenges facing colleges". Scottish Government funding represents around 77% of the college sector's income, and Audit Scotland said increases in the college revenue budget in recent years have:

"...primarily covered additional costs from harmonising staff terms and conditions."

Higher Education

Table 4a shows the university capital and resource budget over the last three years. **Table 4b** shows the 2022-23 budget in real terms 2021-22 prices.

Table 4a: University capital and resource budget – Cash terms (£m)

| | 2020-21 | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|----------------------------------|---------|---------|---------|---------------------------------|-----------------------------------|
| Higher Education Resource Budget | 743.2 | 768.2 | 789.2 | 21.0 | 2.7% |
| Higher Education Capital Budget | 342.2 | 346.7 | 348.0 | 1.3 | 0.3% |

Table 4b: University capital and resource budget – Real terms 2021-22 prices (£m)

| | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|----------------------------------|---------|---------|---------------------------------|-----------------------------------|
| Higher Education Resource Budget | 768.2 | 768.4 | 0.2 | 0.0% |
| Higher Education Capital Budget | 346.7 | 338.8 | -7.9 | -2.3% |

[Source: SPICe Real Terms calculator](#)

Table 4a shows the university revenue budget for 2022-23 represents a 2.7% increase in revenue funding - 0% increase in real terms, as shown in **Table 4b** - on last year. The capital budget falls by 0.3% - a real terms fall of 2.3%.

The [Cabinet Secretary in her response to the Committee's pre-budget scrutiny letter](#) stated that the increase in the resource budget is a result of additional university places following the cancellation of school exams during the course of the pandemic:

"The budget for 2022- 23 increases university resource funding by £21 million to £789.2 million and increases capital funding by £1.3 million to £348 million. The increase of £21 million for university resource is ongoing support for additional places previously added for those affected by the SQA alternative certification model."

[Prior to the publication of the budget, Universities Scotland stated funding per full-time undergraduate student](#) "...has fallen by 13% since 2014/15 – a real terms cut of £869 per student."

Universities Scotland also pointed to [SFC's findings](#) that the average annual research funding gap from 2015-16 to 2018-19 is £328 million. For capital funding, the organisation stated "over £800m of investment is needed to bring the university estate into fit-for-purpose condition".

Following publication of the budget, [Universities Scotland's response](#) said the settlement:

"...will cut university funding for teaching and research in real terms in 2022/23. This leaves universities with less resource to meet the very real needs of our students and staff and less resource to invest in university research as a driver of economic growth and as a substantial means of bringing in further investment into Scotland."

The response also highlighted the £21m increase in the resource budget for the funding of additional places, adding:

"The funding for an increase in volume (as defined by student places) does nothing to increase the level of funding available per undergraduate student..."

SFC's [June 2021 report on the financial sustainability of colleges and universities](#) identified increasing pension contributions, the costs of maintaining buildings and Brexit as cost pressures facing universities. The report found the sector's underlying operating position showed a surplus of £43 million for 2019-20 and an adjusted operating surplus of £154 million in 2020-21, however SFC notes:

"...this includes one-off items of income (not adjusted for) that are not yet matched by expenditure that make the position look better than it is in reality. Surpluses are concentrated in three of the four ancient universities."

SFC also noted that though international student numbers and income had not been impacted as severely as expected by COVID-19, the "situation remains volatile".

Universities Scotland also raised a concern about the loss of COVID consequential funding provided last year. The organisation stated last year's funding allocations represented the "first year of multi-year commitments". The response went on:

"It is far from clear as to how this scale of cut can possibly be absorbed by universities given our declining core budgets. Our Funding Council uses the term "emergency" to describe the impact of the pandemic on universities yet there is nothing in this budget which acknowledges this situation."

In her budget statement, the [Cabinet Secretary for Finance said](#) that the "absence of COVID consequentials from the UK Government" meant additional costs were to be absorbed within the overall budget.

Tables 5a to 6b show Level 3 budget allocations for HE student support and the relevant Advanced Learning and Science budget line for HE.

Table 5a: Higher Education student support budget – Cash terms (£m)

| | 2020-21 | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|--------------------|---------|---------|---------|---------------------------------|-----------------------------------|
| HE student support | 925.6 | 1399.3 | 1017.6 | -381.7 | -27.3% |

Table 5b: Higher Education student support budget – Real terms 2021-22 prices (£m)

| | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|--------------------|---------|---------|---------------------------------|-----------------------------------|
| HE student support | 1399.3 | 990.8 | -408.5 | -29.2% |

[Source: SPICe Real Terms calculator](#)

[Scottish Government Level 4 data](#) notes a number of year on year changes to the student support budget that make up the overall reduction of 27.3% in cash terms (Table 5a) and 29.2% in real terms (Table 5b). These are:

- A £2.1 million reduction in Student Loan Company Administration costs. This budget was increased last year due to administration costs around the introduction of the 'Plan 4' student loan repayment, which reduced the repayment period from 35 to 30 years in line with England and Wales. This plan has now been introduced.
- The cost of providing student loans (the non-cash, RAB charge) has fallen by £324.9 million. The [Level 4 spreadsheet](#) states: "This is the cost of the interest rate subsidy and potential non-repayment of student loans... This is a technical accounting adjustment which fluctuates from year to year. It is calculated using a complex model which reflects earning potential and macroeconomic factors as well as student finance policy."
- An increase of £0.3 million for SAAS capital projects.
- A £55 million fall in the budget line for 'net student loans advanced' due to data lag on the impact of the increased repayment threshold of student loans and resulting increase in loan repayments received.

Table 6a: Higher Education Advanced Learning and Science Spending Plans – Cash terms (£m)

| | 2020-21 | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|------------------|---------|---------|---------|---------------------------------|-----------------------------------|
| Higher Education | 7.4 | 14.6 | 14.9 | 0.3 | 2.1% |

Table 6b: Higher Education Advanced Learning and Science Spending Plans – Real terms 2021-22 prices (£m)

| | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|------------------|---------|---------|---------------------------------|-----------------------------------|
| Higher Education | 14.6 | 14.5 | -0.1 | -0.7% |

[Source: SPICe Real Terms calculator](#)

The [Scottish Government Level 4 data](#) spreadsheet states the Higher Education budget line within the Advanced Learning and Science budget: “Funds initiatives to support and promote tertiary education and research internationally.”

There has been a small increase of £0.3 million to this budget line – as Table 4a shows this represents a 2.1% rise in cash terms. Table 4b shows this is a 0.7% fall in real terms.

FE and HE multi-year funding

The [SFC’s Review of Coherent Provision and Sustainability of further and higher education](#) recommended that the Scottish Government introduces multi-year funding assumptions. The [Scottish Government’s response](#) to the review agreed with this recommendation, and a [consultation on a multi-year resource spending review framework](#) was launched on 9 December 2021 alongside the budget. [Multi-year capital plans were published](#) by the Scottish Government in February 2021; the Scottish Government stated in its response to the review recommendations that these plans:

“...sets the baseline for core research and knowledge exchange grants, and co-funding for research infrastructure to 2025-26.”

The [Cabinet Secretary for Finance set out during her budget statement](#) that the Resource Spending Review is expected to be published in May 2022, setting out the Scottish Government’s multi-year spending plans. Both Colleges Scotland and Universities Scotland have called for multi-year funding settlements in recent years. In response to the announcement, Colleges Scotland stated:

“Colleges Scotland has for some time has been advocating for colleges to receive multi-year funding to ensure sustainability of the sector and we will continue to advocate strongly for the college sector as preparatory work takes place ahead of the Budget in May.”

Learning

This area covers a wide range of activity and a number of public bodies. The level three figures for the planned spend in 2021-22 and 2022-23 are set out below.

Learning, Level 3

| | £m | |
|---------------------------------------|---------|---------|
| | 2021-22 | 2022-23 |
| Education Scotland | 29.884 | 28.734 |
| Gaelic | 25.241 | 25.263 |
| Curriculum and Qualifications | 45.067 | 63.504 |
| Workforce and Infrastructure | 164.068 | 266.859 |
| Education Reform | 4.734 | 4.772 |
| Education Analytical Services | 4.891 | 5.064 |
| Improvement, Attainment and Wellbeing | 152.366 | 189.069 |
| Total - Learning | 426.251 | 583.265 |

Education Scotland and Gaelic

In 2022-23, Education Scotland will receive, the same amount of budget for resource spending as in 2021-22.

Similarly, the Bòrd na Gàidhlig and most Gaelic-related funds will receive flat-cash settlements.

Curriculum and Qualifications

Broadly speaking the SQA will receive a flat-cash settlement of around £25m in resource and £2.5m in capital. It is worth noting that the SQA generates income. In 2020-21 total earned income was £45.2m, of which £40.0m were entry fees. The increase in this level 3 line is largely due to additional funding to remove core curriculum charges, charges related to music tuition, and other changes to curriculum programmes. The Cabinet Secretary’s letter of 13 December stated—

“We have already committed over £13 million of funding to remove remaining charges associated in some areas of Scotland with instrumental music tuition and with certain lessons within the core curriculum such as art or home economics. This removes cost as a factor when children and young people and their families and carers are considering what elements of education they want to pursue.”

Exactly how the efficacy of this policy will be measured is not yet clear.

Workforce and Infrastructure and education reform

The key changes in this level 3 line are in relation to the £145.5 million for local authorities to ensure the sustained employment of additional teachers and classroom assistants recruited during the pandemic. This funding is listed under ‘Teacher Training’ which is a line previously use to show spending on the Teacher Induction

scheme and some aspects of teachers' continuing professional development. The Cabinet Secretary's letter of 13 December stated—

“This funding will enable local authorities to employ additional staff recruited during the pandemic on permanent contracts. It marks significant progress in delivering our commitment to the recruitment of at least 3,500 teachers and 500 classroom assistants over this Parliament. We are also increasing initial teacher education places to support further growth, supported by an additional £2 million.”

The other increase in this area is a doubling of resource funding for national digital learning platforms to £10.3m as well as a £10m capital investment. The National Improvement Framework said—

“We are committed to ensuring every school-aged child has access to an appropriate device to support their learning by the end of this Parliament. During 2022/23 we will undertake preparatory work across the system to prepare the school estate, and the people in it, for a deeper investment in technology from 2023/24 onwards.” (p46)

Education Reform had previously been listed along with the Workforce and Infrastructure budgets. There is little change in the figures presented for the on-going reform programme compared to 2021-22.

Improvement, Attainment and Wellbeing

Within this level 3 line, there are two areas where the budget increased. Under a line named Raising Attainment, the budget increased from £69.9m in 2021-22 to £80.1m. This line partially funds the Attainment Scotland Fund (the Pupil Equity Fund is listed separately). It also covers Scottish Government funding for the School Clothing Grant and the Children and Young People's Improvement Collaborative. As noted below, the stated budget for PEF is falling from £140 million to £120m.

The Cabinet Secretary's letter to the Committee on 13 December indicated a greater focus will be taken on how the Scottish Attainment Challenge is achieving outcomes. Her letter stated—

“In setting out plans for the refreshed Scottish Attainment Challenge I made clear that there has to be a greater understanding of the impact of the investment to drive improvement.

“The refreshed Scottish Attainment Challenge is an opportunity to inject further ambition and urgency into the work, and to restate and reinforce the specific roles and accountabilities of the range of actors who are responsible for improvement, including Education Scotland, schools, local authorities and RICs. To support this, a small working group which included COSLA, ADES, AHDS and SLS was convened to discuss outline principles for a framework for recovery and accelerating progress.”

The National Improvement Framework indicated that the “framework for recovery and accelerating progress” would “include stretch aims identified at local level so that at all levels of the system we can be clearer on how much progress is expected to be made, and by when.” It could also be used to “direct where additional targeted improvement activity is needed”. (p15 of the NIF).

In relation to the pandemic, the Cabinet Secretary’s letter stated that the SAC will be “a key, targeted, element of our education recovery plans”.

The other notable change in funding in the budget is under “Health and Wellbeing”. Before 2021-22, this had been a relatively small budget (c£2m) line covering national policies such as in relation to: bullying; food and health; and relationships, sexual health and parenthood education. This is now the line which includes the national funding of the expansion of free school meals and meals during holiday periods. Last year, following amendments during the budget process, the resource budget for 2021-22 rose to £54.47m. This resource budget has fallen back to £50.92m – although this appears to be explained by funding for meals during holiday periods being accounted for elsewhere. Within this £50.902m, £42.2m is for FSM. There is also a capital budget for £30m to support the expected increased demand for school meals. This is an area of spend where it is not clear what outcomes are expected nor how the policy’s impact on outcomes will be measured.

COSLA’s ‘Budget Reality’ document published on 9 December estimated that “£200m will be required to deliver on Scottish Government’s policy commitment of Free School Meals for all Primary School Children”. It is unclear how much the annual cost of this policy will be once it is fully rolled out.

Early Learning and Childcare Programme

The table below is the Level 4 figures under this budget area. That is, these are the most detailed published figures but do not appear in the Government’s main Budget document.

Table 8, Early Learning and Childcare Programme

| | 2021-22 | 2022-23 |
|----------------------|---------|---------|
| ELC Expansion | 39.800 | 25.009 |
| School Age Childcare | - | 31.75 |
| Total | 39.800 | 56.759 |

The School Age Childcare line is a new budget line, made up the £21.75m for meals in holidays plus £10m for summer activities in 2022.

The ELC Expansion line is to support the delivery of Early Learning and Childcare policy to continue implementation of 1140 hours, in addition to a contribution to the Local Authority Resource specific grant. The grant to local authorities that comes from this line has in previous years been £24.1m and was part of the multi-year revenue and capital agreement between the Scottish Government and local government on the expansion of ELC up to 2021-22. It appears that it is this element that has been reduced. The notes in the level 4 spreadsheet state that the reduction reflects population changes.

In terms of measuring outcomes, the Cabinet Secretary’s letter stated—

“As part of the successful delivery of the 1140 expansion of high quality funded early learning and childcare from August 2021 we are now working to develop an outcomes framework that, alongside our evaluation strategy, will allow us to measure the three main benefits of the programme and ensure that we continue to secure value for money for the public purse. These are:

improving children’s outcomes and helping to close the poverty-related attainment gap; increasing family resilience through improved health and wellbeing of children and parent; and, supporting parents into work, study or training.”

Children and Families

The funding in **Table 9** below details spending on children and families allocated via the Education and Skills budget. Funding for frontline children and families social work and child protection is decided by local authorities following their budget allocations from the Scottish Government and is not included below.

Table 9: Children and Families Spending Plans - Cash terms (£m)

| | 2020-21 | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|--|--------------|--------------|--------------|---------------------------------|-----------------------------------|
| Children’s Rights, Protection & Justice | 45.8 | 51.8 | 51.5 | -0.3 | -1% |
| Strategy, GIRFEC and The Promise | 33.6 | 26.0 | 26.0 | 0.0 | 0% |
| Redress, Relations and Response | | 31.3 | 62.5 | 31.2 | 100% |
| Disclosure Scotland Expenditure | 21.3 | 22.9 | 24.3 | 1.4 | 6% |
| Office of the Chief Social Work Adviser | 20.3 | 21.1 | 21.2 | 0.1 | 0% |
| Creating Positive Futures | 28.7 | 29.3 | 34.7 | 5.4 | 18% |
| Total Children & Families | 149.7 | 182.4 | 220.2 | 37.8 | 21% |

The main change for this budget is the increase in funding for Redress, Relations and Response. This was a new budget line in 2021-22, and funding has doubled in a year to £62.5m. This follows the Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021 coming into force earlier this year and the opening of the Redress Scheme for survivors of child sexual abuse.

Skills

The funding in Table 10a and 10b below details spending on skills allocated via the Education and Skills budget.

Table 10a: Skills and Training Spending Plans – Cash terms (£m)

| | 2020-21 | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|-----------------------------------|---------|---------|---------|---------------------------------|-----------------------------------|
| Skills Development Scotland | 224.8 | 230.9 | 225.6 | -5.3 | -2.3% |
| Employability & Skills | 46.3 | 46.3 | 46.3 | - | - |
| Total Skills and Training | 271.1 | 277.2 | 271.9 | -5.3 | -1.9 |

Table 10b: Skills and Training Spending Plans – Real terms 2021-22 prices (£m)

| | 2021-22 | 2022-23 | Change 2021-22 to 2022-23 | % Change 2021-22 to 2022-23 |
|-----------------------------------|---------|---------|---------------------------------|-----------------------------------|
| Skills Development Scotland | 230.9 | 219.7 | -11.2 | -4.9% |
| Employability and Skills | 46.3 | 45.1 | -1.2 | -2.6% |
| Total Skills and Training | 277.2 | 264.7 | -12.5 | -4.5% |

[Source: SPICe Real Terms calculator](#)

The majority of the Skills and Training portfolio relates to Skills Development Scotland funding. In their level 4 spreadsheet, the Scottish Government note that the reduction in SDS funding is to reflect the current economic circumstances.

“[the Reduction in is] allocation to reflect current economic circumstances -the 2022/23 funding package, including investment made through the Finance and Economy portfolio, continues to represent a substantial ongoing investment”.

The Education Maintenance Allowance, Employability and Skills are flat in cash terms, although the Scottish Government note that there is a baseline transfer of £7 million into the Employability and Skills portfolio, relating to funding for the Flexible Workforce Development Fund.

Local Government Funding

Specific Grants

A significant amount of the detail of budget changes identified in the Education and Skills portfolio above will be allocated to and spent by local authorities (e.g. money for additional teachers and expansion of FSM). There are also ring-fenced monies in the budget for local government that is relevant to the Education and Skills portfolio.

The Scottish Government budget identifies elements of local government Specific Resource Grants which are relevant to the Education and Skills portfolio but are accounted for in the Social Justice, Housing and Local Government portfolio. There are three grants listed and these are set out below.

| | £m | |
|--------------------------------------|---------|---------|
| | 2021-22 | 2022-23 |
| Gaelic | 4.482 | 4.482 |
| Early Learning & Childcare Expansion | 521.856 | 521.856 |
| Pupil Equity Funding | 140.000 | 120.000 |

The obvious fall is in the money allocated for PEF. The notes which accompany these figures state—

“In 2021/22 an additional one-off £20 million Pupil Equity Fund premium was issued as a 15% uplift to the previously published 2021 to 2022 PEF allocations for schools to support education recovery efforts for children and young people from disadvantaged backgrounds.

As in previous years, a portion of the raising attainment budget line will be used to top-up PEF above £120m, to meet the increasing costs of the programme.”

The Gaelic grant is to “support to 27 Local Authorities to deliver Gaelic education at all levels”. As with most of the budget related directly to the language, this budget remains unchanged from last year in cash terms.

The resource grant for the expanded ELC hours also remains unchanged. However, as noted above, that grant is augmented from other sources – and to be clear this is, in the main, about the 540 hours of expansion from 600 hours of funded ELC to 1140 hours. The original 600 hours of funded ELC is funded through local authorities’ discretionary budgets.

In terms of the expansion funding, the notes accompanying these figures state “total funding for 2022-23 is £552m which includes £9.1m from ELC Expansion budget and £20.7m from Local Government budget.” Last year’s level 4 spreadsheet did likewise and said, “total funding for 2021-22 is £567m which includes £24.1m from ELC Expansion budget and £20.7m from Local Government budget.”

There is, therefore, a cash terms reduction in the funding for the expansion to 1140 hours of funded ELC of £15m. Considering these figures in real terms⁶ it represents a 5% reduction in direct funding for ELC.

Overall local government funding

The local government budget settlement for 2022-23 is £11,141 million. This is mostly comprised of General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI), with smaller amounts for General Capital Grant and Specific (i.e. ring-fenced) Resource and Capital grants. This figure represents a £33 million increase over the year, translating as a cash increase of 0.3%, or a real terms reduction of 2.4% (or -£268 million).

The combined Budget figure for GRG+NDRI in 2022-23 remains the same over the

⁶ Calculated using [HMT GDP deflators \(Oct 2021\)](#)

year in cash terms (£9,739 million). In real terms, this is estimated to be a reduction of 2.7% (or -£264 million). This, along with council tax revenues, other income and borrowing, forms the discretionary aspects of local authorities budgets. It is from these monies that the majority of funding on schools, social work, youth work, and so on comes.

Once revenue funding which is transferred from other portfolios to local government (but still included in the totals within the Finance Circular) is included, the total is £12,538 million. This represents a growth of 7.9% and 5.1% respectively. Much of this increase is funding for additional teachers and support staff (noted above), care at home, delivering a £10.50 minimum wage for adult social care staff, as well as other health and social care funding from the Health budget. Furthermore, once a number of funding streams attached to particular portfolio policy initiatives, but outside the totals in the Finance Circular are included, overall Scottish Government funding for local government rises to £13,215 million.

Local authorities raise some of their income through Council Tax. In 2019-20, Council Tax receipts amounted to £2.5 billion, or 20% of total local government net revenue funding.

During last year's Budget announcement, the Cabinet Secretary confirmed that, subject to approval from local authorities, Council Tax would be frozen at 2020-21 levels. £90 million was made available to councils to compensate for this, and it was confirmed during Stage 3 discussions that this would be "baselined" in the 2022-23 Budget.

There is no mention of a council tax freeze in the Budget this year, however. Instead, the Scottish Government states that for 2022-23, "councils will have complete flexibility to set the Council Tax rate that is appropriate for their local authority area". The appetite of Councillors to raise significant revenues from council tax, however, may be tested by the local authority elections of May next year.

On 15 November, COSLA launched a budget lobbying campaign entitled [Live Well Locally](#). This document said—

"Within the [local government] recovery strategy, 'local' is key [and this includes] local leadership, local partnerships, local government, local transport, local children's services planning, local employability partnerships, local resilience, and local service design. ...

"However, there are issues on the ground that will impact the pace of recovery:

- Councils still experience restrictions around how and when funding can be used – with highly directed and restricted "pots" of money. Councils should be left to provide services in a way that works for local people
- pressures are building on services, with a combination of significant backlogs (e.g. in planning and building control), unknown pent up demand (e.g. in children's mental health services), and increasing costs (e.g. in construction and energy)"

[COSLA expressed frustration](#) at the publication of the budget. COSLA President

Councillor Alison Evison said—

“Whichever way you look at it, the reality of the situation is that yet again the essential services Councils deliver have been overlooked by the Scottish Government. There is no recognition that these very services are the bedrock for additional policies and priorities which the Scottish Government wants councils to provide.

“It is beyond frustrating that the importance of Local Government’s role in enabling Communities to Live Well Locally across Scotland, has not been reflected in the Budget announcement.

“The Scottish Government has to realise that cuts to our core budget hit the most vulnerable in our communities the hardest and are damaging to our workforce. That is why Council Leaders were unanimous today that we must fight for a fairer settlement.”

Audit Scotland identified variation in the performance of local authorities in terms of achieving educational outcomes. This finding is reflected in both the NIF and the Cabinet Secretary’s letter to the Committee of 13 December.

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Senior Researchers

SPICe

7 January 2022

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