



T: 0300 244 4000

E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Sue Webber MSP  
Convener  
Education, Children and Young People Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

By email: [ECYP.committee@parliament.scot](mailto:ECYP.committee@parliament.scot)

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26 February 2024

Dear Convener,

## **COMMITTEE FOLLOW UP TO EDUCATION AND SKILLS PORTFOLIO**

Thank you for providing me with the opportunity to appear in front of the Education, Children and Young People Committee 17 January. I welcomed the opportunity to engage with the Committee on my priorities for reform and how we are working to ensure portfolio priorities continue to be delivered in the light of a challenging budget.

There were a number of areas that the Committee asked for further information on. The updates below also include information on the broader Education and Skills portfolio that were raised at the Deputy First Minister's appearance at Finance and Public Administration Committee on 16 January 2024. As these issues are covered in this letter, it is also being shared with that Committee.

### **BUDGET ALLOCATIONS**

On the budget, Committee members raised a number of points on the in-year savings announced by DFM in November 2023 and allocations for the upcoming financial year and how these decisions were taken.

The Scottish Government continues to work closely with the Scottish Funding Council (SFC) on ensuring that funding continues to deliver the best possible outcomes for learners. The Scottish Funding Council is now working to deliver savings of £102 million in 2023-24. A major element of the savings came from the removal of the £46m uplift for strategic change (£20m outlined for universities and £26m for colleges). This had never been allocated to institutions and was not part of their core funding.

Additional savings are also anticipated to come from a mix of demand led activities and savings from some strategic funds, which don't form part of the core funding to institutions.

In relation to demand led activities, this includes a reduction in demand for FE student support funding, reflecting a decline in student numbers over recent years; the ending of the Flexible Workforce Development Fund; and the recovery of funding from historic programmes such as the Young Person's Guarantee and the National Transition Training Fund.

On strategic funds, savings were made from a range of programmes that support cross-sector activity. Whilst funding for strategic investments was included in the published college and HE budget lines, it is not funding that was allocated to institutions. As a number of these funds are also demand-led, further detail will be available after the end of the financial year.

Ross Greer MSP, asked for further information on the £23.4m reduction in the student support and tuition fee level 4 budget line for 2024-25. This relates mainly to the recurring £21.6m savings from 2023-24 which were due to a reduction in the numbers of students applying for tuition fees (c£15.6m, so the majority of the savings) and other higher education student support. The final position will be confirmed after the end of the financial year. We are anticipating this reduction will remain for 2024-25, due to the demand and means testing for higher education student support. The requirement will be kept under review.

## **Future modelling**

SFC is currently undertaking its modelling for allocations for AY 2024-25. In considering how funding will be allocated Ministers have already announced that the Flexible Workforce Development Fund won't run in 2024-25. Additionally, based on FE student number trends, the SFC expect to be in a position to recalibrate the student support budget to better reflect current student demand. However, until SFC fully model the funding allocations for AY 24-25 it will not be possible at this stage to confirm where the required savings for FY24-25 will be delivered.

## **SFC process for funding allocations**

SFC's funding allocations are expected to align with Ministerial priorities. Ministers issue a letter of guidance every year to public bodies (including SFC) setting out expectations and priorities for the year ahead. The letter also sets out the wider context these priorities should align with, including the Programme for Government.

Upon publication of the Scottish Government's Draft Budget (December 2023), SFC started work to determine the funding available for distribution to institutions in the following academic year.

Funding principles are taken to SFC's Finance Committee in late January for consideration and subsequently approved by the SFC Board in February. Immediately thereafter, work progresses on the indicative allocations for individual institutions. These are presented to the SFC Finance Committee for consideration and are approved by the Board in mid-March. Indicative allocations are usually published at the end of March. Throughout this process, SFC engages closely with the sector bodies and, where appropriate, with individual institutions as well as keeping Scottish Government officials updated on progress.

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Following the publication of indicative allocations there is an opportunity for further discussion with the sectors. Final allocations are presented to the SFC Finance Committee for consideration at the end of April and are approved by the SFC Board at the beginning of May. Final allocations are then published towards the end of May.

## **University places**

SFC's funded places cover all years of provision and are not split by year of study. In addition, apart from the controlled subjects, SFC monitors delivery against funded places at an aggregate level and not by subject.

Determining the number of funded places is an iterative process. Performance is monitored against funded places on an annual basis and is adjusted based on delivery against targets and any policy updates from Scottish Ministers. The balance between the funded places adjustment and the price per place based on the planned change to the number of funded places from the previous year and the budget available is carefully managed by SFC.

In controlled subject areas (nursing, paramedic education, teaching, medicine, dentistry, prosthetics and orthotics) SFC update funded places each year, informed by the intake targets provided by the Scottish Government and the student population in later years.

For non-controlled subjects, the process for offering places, the total volume of places and the range of subjects on offer is a matter for individual institutions. This is carefully managed within institutions and is informed by a number of factors including, student and employer demand; the likelihood of students completing/continuing their studies based on data from previous years; the availability of teaching staff and facilities; and, the likelihood of prospective students achieving the required results and choosing to take up the place that has been offered.

## **More detail on the work to calculate and allocate spaces across the university spaces and, the projection of the number of Scottish young people who will secure a university place in 2024/25.**

I note the Committee's request to share, when available, the projection of the number of Scottish young people who will secure a university place in 2024/25.

The SFC provide funded places to each Higher Education Institution to allocate across new and existing eligible students. Once the SFC publish their indicative allocations in Spring, officials will share the information, along with supporting information from UCAS on the numbers of young Scots pursuing university places.

In relation to the potential impact of students studying elsewhere, Scottish students have always taken opportunities to study outwith Scotland. UCAS data shows the number securing places to study at providers in the rest of the UK has had minor fluctuations over the years, however it is currently at its lowest level since 2006, with around 1,820 acceptances in 2006 compared to 1,515 in 2023. It is also important to remember that some of these students will return to Scotland for work and to support the Scottish economy. The latest HESA survey data, covering destinations 15 months after graduating in 2020-21, suggests around 45% of Scots who left Scotland to study in the rest of the UK, took up work back in Scotland.

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The reduction in university places will have no impact on the commitment of Scottish Government, the Scottish Funding Council or the sector to achieve the commission on widening access target of 20% of students from deprived areas entering higher education by 2030. We remain committed to the widening access agenda and will continue to engage with the Scottish Funding Council and institutions through their outcome agreements, as allocation of funded places takes place.

### **COVID related temporary additional places**

In 2020-21 universities were funded to take an [additional 1,297 Scottish](#) domiciled students to take account of changes to the SQA assessment process as a result of the Covid-19 pandemic. In 2021-22, a further commitment was made to recognise the impact of the Covid-19 pandemic on the SQA assessment process, and an additional 2,500 places were funded for Scottish domiciled students (using 2019-20 as the baseline). The Scottish Government committed to funding both cohorts for the duration of their studies. These two cohorts were therefore slightly inflated compared with the pre-Covid years and similarly in comparison with the years that followed.

The 2020-21 cohort will exit the system at the end of academic year 2023-24 and funding for those additional places will therefore no longer be required.

### **Non-contact time**

As the Committee will be aware, the commitment to reduce class contact time for teachers by 90 minutes per week is by the end of the current Parliamentary term, and work is ongoing with the Scottish Negotiating Committee for Teachers (SNCT) to achieve this aim. To help inform these discussions, we have commissioned an external modelling and research exercise which will consider a range of factors including current teacher numbers, pupil teacher ratios and the projected decline in the number of school-aged children in Scotland.

Any reduction in class contact time will of course require the agreement of the SNCT.

### **£9.4m reduction to the Skills programmes budget**

There was a request from Bill Kidd, MSP to provide further details on the cut to grant funding for third sector organisations from within the Skills programme line. The reduction of this programme line primarily reflects savings associated with the ending of the Flexible Workforce Development Fund. We will continue to fund DYW and key third sector programmes supporting young people's transition to positive destinations from this line and we will provide further information about the individual grants in due course.

Thank you again for the opportunity to appear before you. Should you require any further information please do get in touch.

I am also sharing this letter with the Finance and Public Administration Committee.

Yours sincerely

**JENNY GILRUTH**

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