

Deputy First Minister and Cabinet Secretary for Education and Skills
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Mr James Dornan MSP
Convener
Education and Skills Committee
The Scottish Parliament
Edinburgh
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22 February 2017

Dear Convenor,

Thank you for your email of 31 January requesting a response from the Scottish Government on the issues raised within the Education and Skills Committee report on the Draft Budget 2017/18.

The Education and Skills Portfolio is at the heart of delivering excellence and equity within Education in Scotland. The Scottish Government is firm in its resolve to deliver a world class education system which meets the needs of our young people.

Please find attached the Scottish Government's position in response to the comments raised in your report.

JOHN SWINNEY



Response to Education and Skills Committee report on 2017/18 draft budget John Swinney Deputy First Minister and Cabinet Secretary for Education and Skills

- *The Committee does not believe it is accurate that the Curriculum for Excellence (“CfE”) has reached the stage of maturity that the Scottish Government believes is the case. In this respect, we note the views of the Chief Executive of Education Scotland that the sector has only just completed the first full run of CfE up to S6 and that there are still lessons being learnt. It is clear that the SQA still requires resource to redevelop CfE qualifications and that the “lessons” learned from the first full run of CfE may lead to a requirement for continued support from central agencies. It is clear that the SQA believes that it requires additional resources. The SQA also needs to better focus its resources to deliver outcomes from its core business more efficiently. The Committee recommends that the Scottish Government provides assurances that these budgets are based on the support required to successfully deliver CfE and its qualifications rather than due to budget pressures.*

The Scottish Government has provided the SQA with all the resources it has required to develop the new national qualifications under Curriculum for Excellence and to enable SQA and Education Scotland to provide unprecedented levels of support for the system. The full range of new national qualifications has been developed implemented in examination centres across Scotland. It is absolutely right that we listen to the views of teachers, learners and others, based on their practical experiences over recent years, and make adjustments where necessary. That is the work that is now being undertaken. The SQA’s financial situation will continue to be closely monitored and managed throughout the year with the aim of ensuring it has the resources it requires to deliver its contribution to CfE. At the same time, all our public bodies, including the SQA, have a responsibility to deliver their functions effectively and efficiently in accordance with the principals of Best Value in Public Services and I expect the SQA to deliver on that responsibility.

- *The Committee welcomes the Scottish Government’s commitment to the principles of excellence and equity.*

The Scottish Government has clearly set out the commitment to raising attainment and making demonstrable progress in closing the gap in attainment between our least and most disadvantaged young people over the lifetime of this Parliament. The Delivery Plan, published in June 2016, outlines the steps we will take to achieve these improvements.

- *The Committee acknowledges the debate about the 2017-18 Draft Budget and the amount of funds available to local authorities, of which funds for education and the Pupil Equity Funds are key components. The value of the overall settlement to individual local authorities and whether this represents a net gain or loss is complex and dependent on a number of factors, not least of which is the money raised from changes in local taxation.*
- *The Committee recommends that the Scottish Government provides full clarity on this issue during the final passage of the Draft Budget and in the months ahead. The Committee gives notice that we may return to this matter depending on what the net final outcome is for local authorities and their ability to tackle the attainment gap, an aspiration we all share and one that will require sufficient resources.*

The local government finance settlement, including the extra £160 million announced on 2 February, plus the other sources of support available through the actual and potential increases in council tax income, and the support through Health and Social Care Integration, amounts to an overall increase of over £400 million or 3.9% in cash terms or £249.7 million or 2.4% in real terms.

As a result the real terms increase in available support for local government in 2017-18 (2.4% increase) is now more favourable when compared with the real terms increase in the overall Scottish Budget (0.8% increase).

The information provided in the preceding paragraphs provides full clarity on the issue.

- *The Committee is unclear how a cash funding reduction of 1.3% in higher education resource matches with a commitment to protect core research and teaching grants. The Committee recommends that the Scottish Government clarifies its intentions in this area.*

The overall 2017-18 budget allocation for Higher Education represents an increase (in cash terms) from 2016-17 (£6.4m / 0.6%). We are clear that the resources given to the SFC will enable cash terms maintenance of both core research and teaching grants, and indeed this has subsequently been confirmed by the SFC in its institutional indicative allocations announcement, made on 10 February.

- *The Committee notes that the Scottish Government contextualises the funding of Higher Education Institutions within the wider profitability of the sector. Universities Scotland, however, frames the sustainability of the sector in terms of the proportion of costs covered by publicly funded teaching and research. The Committee recognises that whilst it is a legitimate expectation of private bodies to augment core provision of services with its own income generation, in the absence of a rational assessment of its budget choices we ask the Scottish Government to provide this rationale to the Committee.*

The Audit Scotland report found that “overall the sector was in good financial health in 2014-15”; that “universities as a whole had income of £3.5 billion”; that “the sector’s overall income increased 38% in real terms between 2005-06 and 2014-15”; that its income from research grants and contracts had increased in real terms by 60% over the same period; that the sector made an overall surplus of £146 million in 2014-15 (with most universities generating a surplus every year in the past decade).

It is important that discussions on institutional sustainability take these findings into account.

The sector uses an approach called TRAC (**T**ransparent **A**pproach to **C**osting) to help cost activities. When the sector talks about public funding not covering the ‘full economic costs’ of teaching or research they are using TRAC as the basis for that view.

It is important to understand that the figures published are for the sector overall, meaning that it could be the case that very high costs at a small number of institutions are impacting on the overall figure for the sector, i.e. some institutions may receive in excess of 100% of

their publicly-funded teaching costs, with others receiving less. Figures used by Audit Scotland are average figures.

The discussion arising from the TRAC figures also tends to focus on public funding levels rather than on rising costs at universities. The Audit Scotland report noted that overall spending in the sector had increased by 35% between 2005-06 and 2014-15.

In the current financial climate, it is critical that all public spending delivers maximum public value. Audit Scotland acknowledged in its report that it did not examine efficiency savings in detail as part of its audit. However, it did conclude that it is “*essential that universities continue to identify ways to improve efficiency as overall sector spending continues to increase*”. In terms of ensuring public value, it will be important to maintain close scrutiny over the scope for improved efficiency and effectiveness going forward.

The Scottish Government has chosen to provide substantial public investment in our universities over a sustained period of time. The 2017-18 budget will mean that investment has exceeded £1 billion for six years in succession. Investment levels like these mean that our universities remain internationally competitive and truly excellent in global terms, while ensuring that access to higher education remains based on the ability to learn and not the ability to pay.

- *The Committee would welcome details of the Scottish Government’s analysis on what it considers to be sustainable funding for the Higher Education Sector in the long term.*

As a government, we have invested over £5 billion in the higher education sector over the last 5 years. The 2017-18 draft budget includes a further investment of more than £1 billion – for the sixth year in succession.

The question of what is sustainable is one comprised of two contributory elements. That is – how much public investment can be awarded to higher education (set against constraints and competing priorities); and how might the sector achieve maximum efficiency and effectiveness in its operation? Sustainable funding is a matter that must form part of a strategic discussion between the Scottish Government and the sector about our shared ambitions for the future.

The significant level of Scottish Government investment in higher education enables universities in Scotland to deliver high quality teaching, world class research and knowledge exchange, and to remain internationally competitive and truly excellent in global terms. It also provides a stable base which enables our universities to attract a wide range of additional funding (their total income in 2014/15 was £3.5 billion).

The Scottish Government engages regularly with the sector, including through the Strategic Funding Group, consisting of SG, Scottish Funding Council and Universities Scotland-nominated Principals. This group was established to consider longer-term requirements to support a flourishing higher education sector, delivering high-quality teaching and research excellence, and opportunities for further efficiencies and enhanced productivity. This level of engagement will continue in 2017/18.

- *The Committee is concerned at the reported return of £50m to the Scottish Government from SFC.*
- *The Committee recommends that the Scottish Government provides a much more detailed explanation of the circumstances that have led to this action, including the purpose of these funds. The Committee also seeks a further explanation as to why it considers that there has been no detriment to the sector from these actions.*

SFC reserves arise principally because its allocation from the SG is made on a financial year basis, yet its spending is on an academic year basis. This gives the SFC flexibility to manage its cash flow between financial years to ensure all of its academic year funding obligations are met. Additional factors also impact on the reserve position, including slippage in programmes and projects.

The Scottish Government consistently advised SFC that the £50m underspend would be required to be paid back into the centre to be used on corporate priorities across Government, as is our established protocol. This decision was based on assurances provided by the SFC that there would be no detriment to the sector as all commitments had been fulfilled.

SFC implemented this approach during 2015-16 through drawing down £50m less in FY2015-16 than was approved in the Budget. This accounting adjustment was fully and publically reported to Parliament in September in the SG Consolidated Accounts for 2015-16; in the SFC's Annual Report and Accounts for 2015-16, laid before Parliament in December 2016; was noted by the Cabinet Secretary for Finance in an OPQ on 29 June; and was discussed with the Permanent Secretary during her appearance before PAPLS on 10 November.

As we have made consistently clear, all of the funding commitments made to the further and higher education sectors during this period were met in full over the period in question and the resources available to them were the resources committed to them as part of budget settlements. It is also important to note that we increased capital funding for the HE and FE sectors - in 2016/17, an additional capital stimulus of £34m was allocated (£24m for HE, £10m for FE).

- *The Committee welcomes the focus on outcomes in the strategies and planning documents of SDS, the SFC, the SQA and Education Scotland. The Committee recognises that the diffuse nature of the delivery of education provision means it is not always easy to link outcomes with the work of the individual organisations. However, both SDS and the SFC provided the Committee data on outcomes, albeit some of which are coproduced with partners, whereas the SQA and Education Scotland did not. The Committee requires those bodies to identify indicators appropriate for the outcomes they seek to contribute to and to report on progress on those indicators.*

The SQA is currently undertaking a project to review its Corporate Performance Measures recognising the need to ensure Key Performance Indicators (KPI) which provide leading rather than lagging indicators of performance are put in place. This project has established high level outputs, defining what success looks like for SQA, and outcomes which will help to measure the organisation's performance and progress in achieving its Critical Success Factors. The SQA aims to introduce new KPI for 2017/18.

Education Scotland has introduced an outcome based approach to business planning for their priority programmes and core areas of work. These outcomes are in the final stages of development and will be finalised and agreed by 31st March 2017. Each priority programme will have both short-term and long-term outcomes with each outcome having measures that will be used to identify progress. Education Scotland is developing a new Corporate Plan in 2017, so their strategic objectives are being reviewed as part of that process. In the meantime, all the programme level outcomes will contribute to the organisation's existing six Strategic Objectives. The final agreed outcomes will be used to support business planning for 2017/18 – all activities will be aligned with the new outcomes.

- *The Committee welcomes the focus of SDS in delivering services at a number of different levels. The Committee notes however that some stakeholders have concerns that national programmes do not always complement local provision.*
- *The Committee draws the attention of the Finance and Constitution Committee to this work as it highlights the importance of ensuring national programmes are designed with enough flexibility to adapt to local circumstance and that local partners understand how they can co-produce provision with national agencies.*

As a national agency we expect SDS to deliver all its services effectively across Scotland. SDS has shown excellent examples of local area working including the delivery of careers services in every secondary school in Scotland and in developing Regional Skills Assessments with local partners, providing a high quality and consistent source of evidence about economic and skills performance and delivery at a regional level.

The Chief Executive of SDS meets with leaders from each local authority at least once a year to ensure local collaboration. SDS is also represented within Community Planning Partnerships linking with all local authorities. Through these networks SDS will continue to develop its reach and tailor the services to meet local need.

The Scottish Government intend to build on this approach through our Enterprise and Skills Review where we are looking at how SDS and the other bodies can work more closely together and with local and regional partners, to support an economy that is equitable and has the necessary flexibility and focus to respond well to local circumstances.

- *The Committee is very concerned that there is a lack of clear accountability in the delivery of CfE. Clear processes for decision making and allocating responsibility for oversight of delivery requires strong communication and co-ordination among the responsible agencies. The Committee appreciates the Cabinet Secretary's acknowledgement that these processes need to be reviewed and the Committee will undertake further work on this topic.*

The Scottish Government has noted the issues raised in the Committee's letter of 26 January on the role of the Curriculum for Excellence Management Board and will respond to these points, as requested, ahead of Committee on 8 March.

- *The Committee highlights the importance of the SFC being able to demonstrate to its Board, and by extension universities and other stakeholders, that it continues to develop policy and initiate policy itself, as well as developing policy collectively with others. The Committee would be concerned if this policy development role has diminished, as Universities Scotland suggests. Where the SFC is initiating policy, it should ensure that stakeholders are aware of these instances to aid transparency and therefore accountability. The Committee suggests that the SFC engages separately with Universities Scotland to address its concerns in these areas.*

As an NDPB with a Chair and a Board the SFC is constituted as an arm's length body under the Further and Higher Education (Scotland) Act 2005 with the express duty to carry out its role of securing, through universities and colleges, the provision of high quality higher and further education. In carrying out this role, advice from the SFC to the SG feeds into policy documents which then feeds into policy implementation. The relationship between the SFC and the SG is clearly set out in the Management Statement and Financial Memorandum and the Letters of Guidance, which issue from Ministers on a regular basis.

- *The Committee draws the attention of the Finance and Constitution Committee and the Environment, Climate Change and Land Reform Committee to the sections of the submissions from SDS, the SFC, the SQA and Education Scotland which address those bodies' contributions to reducing Scotland's carbon footprint and promoting sustainable growth.*

All our public bodies recognise and take seriously the requirements placed on them to contribute to reducing Scotland's carbon footprint and promoting sustainable growth.

Education Scotland is supporting learning and teaching in relation to climate change, including adaptation, mitigation and promotion of community resilience while the Curriculum for Excellence provides many opportunities to learn about climate change and associated issues. Indeed, climate change is a prominent and popular context for learning in many educational settings, including primary and secondary schools.

In October 2016 Education Scotland provided the Environment, Climate Change and Land Reform Committee with a full written response setting out the many ways that Curriculum for Excellence is contributing to awareness among young people, both of mitigation and adaptation to climate change.