



OFFICIAL REPORT
AITHISG OIFIGEIL

Education, Children and Young People Committee

Wednesday 8 January 2025

Session 6



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Wednesday 8 January 2025

CONTENTS

Col.

BUDGET SCRUTINY 2025-26 1

EDUCATION, CHILDREN AND YOUNG PEOPLE COMMITTEE

1st Meeting 2025, Session 6

CONVENER

*Douglas Ross (Highlands and Islands) (Con)

DEPUTY CONVENER

*Jackie Dunbar (Aberdeen Donside) (SNP)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Miles Briggs (Lothian) (Con)

*Pam Duncan-Glancy (Glasgow) (Lab)

*Ross Greer (West Scotland) (Green)

*Bill Kidd (Glasgow Anniesland) (SNP)

*John Mason (Glasgow Shettleston) (Ind)

*Willie Rennie (North East Fife) (LD)

Evelyn Tweed (Stirling) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Maggie Chapman (North East Scotland) (Green)

Graeme Dey (Minister for Higher and Further Education; and Minister for Veterans)

Jenny Gilruth (Cabinet Secretary for Education and Skills)

Maurice Golden (North East Scotland) (Con)

Clare Haughey (Rutherglen) (SNP) (Committee Substitute)

Michael Marra (North East Scotland) (Lab)

Neil Rennie (Scottish Government)

Andrew Watson (Scottish Government)

CLERK TO THE COMMITTEE

Pauline McIntyre

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education, Children and Young People Committee

Wednesday 8 January 2025

[The Convener opened the meeting at 09:30]

Budget Scrutiny 2025-26

The Convener (Douglas Ross): Good morning, and welcome to the first meeting of the Education, Children and Young People Committee in 2025.

We have received apologies from Evelyn Tweed and we welcome back Clare Haughey, who is attending in her place.

The first item on our agenda is scrutiny of the 2025-26 budget. We will hear today from the Cabinet Secretary for Education and Skills, Jenny Gilruth, and from the Minister for Higher and Further Education; and Minister for Veterans, Graeme Dey. Alongside the cabinet secretary and the minister are three Scottish Government officials: Neil Rennick, director general for education and justice; Stuart Greig, head of the governance and assurance division; and Andrew Watson, director of children and families. I welcome them all to the committee and invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Education and Skills (Jenny Gilruth): Thank you, convener, and happy new year to you and to committee members.

As the First Minister outlined on Monday, this budget is rooted in delivery and hope, and it has been drafted in response to the views of a multitude of stakeholders across Scotland and to those of members from across the chamber.

The education and skills budget is no different. Mr Dey, Ms Don-Innes and I have listened intently to the views and asks of teachers, schools, local authorities, early learning and childcare providers, universities, colleges and the wider skills system. The draft budget for my portfolio for 2025-26 reflects those views and seeks to go some way towards addressing the challenges that we face across the education sector, particularly following the pandemic.

I will begin by setting out the resource and capital position for the portfolio. The education and skills resource budget has increased by £158 million, which is equivalent to a 3 per cent real-terms increase. In addition, overall capital and resource has increased by £116 million. For early

years, we continue to invest in a high-quality funded early learning and childcare offer and our wider family support offer. Overall, the Scottish Government will invest more than £1 billion in high-quality funded ELC from next year.

The 2025-26 draft budget also provides an investment of £8 million in our six early adopter communities in Dundee, Inverclyde, Clackmannanshire, Glasgow, Fife and Shetland. The draft budget also includes funding to provide local authorities with an additional £9.7 million from 2025-26 to increase pay for early learning and childcare workers delivering funded childcare, so that they earn at least the real living wage from April, as well as ensuring that children's social care staff employed in the private, voluntary and independent sector will also receive the real living wage.

The budget invests in our schools, teachers and support staff. It includes £186.5 million for councils to maintain teacher numbers, and it speaks to the asks made by local government as part of the biggest recorded settlement made to local government in Scotland.

The budget includes £29 million of additionality for additional support needs, including funding to support the recruitment and retention of the ASN workforce. I know that that issue is of interest to the committee, so I hope that members will welcome the steps that the Government is taking through this budget to provide more support for ASN.

That funding is part of a wider package and deal agreed with the Convention of Scottish Local Authorities. That deal is predicated on trust and will see the Scottish Government and COSLA working together to restore and maintain teacher numbers at 2023 levels, freeze learning hours and make meaningful progress in reducing teacher class contact time. Importantly, that deal also includes a provision for the creation of an educational assurance board, which will allow local and national Government to collaborate better on educational improvement, noting the legal responsibilities shared by both.

In addition, we continue with our investment of £1 billion in the Scottish attainment challenge over the course of this Parliament to support closing the poverty-related attainment gap, with £130 million in this budget earmarked for the pupil equity fund being allocated directly to head teachers for activities on the ground that will close the poverty-related attainment gap in their schools.

Committee members will note that the most recent statistics, from December, show that we now have the narrowest attainment gap ever recorded between the most and least disadvantaged pupils. That should be welcomed,

as should the statistics showing that we have the highest levels of literacy and numeracy since records began.

Lastly, we remain committed to supporting a high-quality post-school education, research and skills system with more than £2 billion of investment in further education, higher education and skills. I am sure that the minister will say more about that. We have listened to the asks of the sector and have responded as best we can and with as much flexibility as possible in the current fiscal circumstances. That has included protecting funding for apprenticeships while, at the same time, increasing our core funding for both higher and further education. We also continue to protect free tuition, which means that, unlike students elsewhere in the UK, Scottish students studying in Scotland do not incur additional debt. We have sought, where possible, to respond to specific asks from the sectors and to provide the flexibility that I mentioned.

Like every cabinet secretary, I have been concerned by the United Kingdom Government's decision to increase employer national insurance contributions, which will hit ELC providers, colleges and universities hardest within my portfolio. We are also still faced with an incredibly challenging fiscal context. Nonetheless, this is a budget that protects education spending throughout the lifetime of a child's education.

I will finish there, but I look forward to discussing the budget settlement with the convener and committee members in more detail.

The Convener: Thank you, cabinet secretary. I will begin the questions.

You received a name check from the cabinet secretary for finance during the budget statement. She said that she had listened to you and had allocated funding accordingly. What did you ask for that you did not get in the budget?

Jenny Gilruth: The cabinet secretary made mention of a number of portfolio areas in response to asks that have come from cabinet secretaries. I made specific asks around additional support needs.

As the committee knows, in recent times, there has been an increase in the number of pupils with additional support needs. The statistics that we published just before Christmas show that, at a national level, that figure now sits at more than 40 per cent. I am aware that, in some schools in Scotland, the figure sits at more than 50 per cent—

The Convener: We will have questions from members about additional support needs. I am simply wondering what you asked for that you did not get. Or is this budget everything that you

asked for and all that you were looking for in relation to education, skills and young people?

Jenny Gilruth: I am pleased with the settlement that I have received for the education and skills portfolio.

The Convener: Is there anything that you did not get?

Jenny Gilruth: In my negotiations with the cabinet secretary for finance, I asked for additionality for ASN and additionality for teacher numbers—again, an ask that was delivered on. I am pretty clear that this is a good settlement for education and skills, and it sees a 3 per cent increase in real terms for the portfolio more broadly. I hope that that will be welcomed.

The Convener: This is obviously the Education, Children and Young People Committee, and a lot has been made in this budget about eradicating child poverty. As a result of this budget and the decisions of your Government, when will child poverty in Scotland be eradicated?

Jenny Gilruth: That is a rather broad question, convener. Of course, child poverty is not—

The Convener: I am sorry, but the question is, in fact, very specific. It simply asks when.

Jenny Gilruth: Of course, it is not the responsibility of only the education and skills portfolio to eradicate child poverty. We had a debate in the chamber yesterday, led by the First Minister and the cabinet secretary for social security, with regard to the implications of budget decisions that are taken elsewhere, not least for the work that we have undertaken on the Scottish child payment. We know that, as a result of that investment by the Scottish Government, child poverty levels are lower in Scotland than in other parts of the UK.

From my perspective as education secretary, we must not consider child poverty as being siloed to one portfolio area. I am taking a number of interventions within the education and skills portfolio, which I am sure Mr Dey will speak to in respect of his responsibilities. In relation to school education, I am particularly focused on closing the poverty-related attainment gap. That work is being driven forward by the Scottish attainment challenge funding and, in this budget, by additionality coming from the pupil equity fund, which is starting to show real progress in relation to the gap narrowing.

The Convener: You said in an earlier answer that you are happy with the settlement that you got for your portfolio, which includes the future for young people. Do you believe that, as a result of this budget, we will eradicate child poverty in Scotland?

Jenny Gilruth: You have to be mindful of the context in which we exist.

The Convener: I am simply asking whether you believe that that will happen.

Jenny Gilruth: In what respect? Would you like to set a timescale on it?

The Convener: You have done so, as a Government: by 2030.

Jenny Gilruth: Indeed, but that relies on Governments working together, and we need to be mindful of the fiscal context.

The Convener: A lot has been said by the First Minister and by you—you mentioned it in some of your earlier remarks—about eradicating child poverty. The First Minister is saying that that is the key pledge of his Government and that passing this budget will ensure that that happens. I am therefore wondering why you, as the Cabinet Secretary for Education and Skills, cannot say that.

Jenny Gilruth: As the Cabinet Secretary for Education and Skills, I can say that—

The Convener: So, you believe that it is going to be eradicated?

Jenny Gilruth: —we are going to make progress on eradicating child poverty through the interventions in this portfolio and the additionality that is coming to the education and skills portfolio. I should say that that has been welcomed by a range of different stakeholders.

The Convener: Section 9(1) of the Child Poverty (Scotland) Act 2017 states that ministers have to prepare delivery plans for set periods. Section 9(1)(b) relates to the period between 1 April 2022 and 31 March 2026. Are you discussing amending any of those plans with Cabinet colleagues now that it is clearly a pledge of the First Minister and this budget to eradicate child poverty?

Jenny Gilruth: Yes, of course—

The Convener: So, there have been those discussions about the delivery plans?

Jenny Gilruth: I am engaged with Ms Somerville and her portfolio on our work in that regard. I have to say, though, that this is a cross-Government mission and—

The Convener: How are those delivery plans changing as a result of this budget?

Jenny Gilruth: We are working together on a cross-portfolio basis, and we are working to establish, through this budget, the targets that are needed to drive that progress.

The Convener: Will Parliament see an update and an amendment to those delivery plans? The current one runs from 2022 to 2026, but the First Minister has been very clear that this budget is about eradicating child poverty. Will we therefore see updates and be able to scrutinise that as parliamentarians?

Jenny Gilruth: Yes, although you will understand, convener, that I am not the cabinet secretary with responsibility for driving those plans—that is Ms Somerville.

The Convener: You will understand that I am the convener of the Education, Children and Young People Committee and that it is important—

Jenny Gilruth: I am more than happy to write to you, following this evidence session, to give you further detail about that.

The Convener: You also gave us a commitment that parliamentarians will see that amendment.

Jenny Gilruth: For reasons of transparency about our progress in that regard, that is an issue that we would wish to share with the committee and with Parliament.

Mr Rennick may wish to say something.

Neil Rennick (Scottish Government): The Scottish Government has been keen to update Parliament regularly on the progress that we are making. That will clearly be done within the context of our statutory responsibilities and the First Ministers' clear commitment that that is a top priority for the Government. As the cabinet secretary said, yesterday's debate was a good example of the Government updating Parliament on the progress that we are making on that priority not only within this portfolio but across portfolios.

The Convener: Let us turn to the subject of colleges. I will bring in the minister in a moment, but I will start with you, cabinet secretary. Yesterday, when asked in the chamber about college funding cuts in this and previous years, the First Minister said:

“with the budget that we are putting forward, I am confident that we have adequate resources to support individuals' employability and skills journeys”.—[*Official Report*, 7 January 2025; c 30.]

Do you agree with the First Minister that this budget provides adequate resources to Scotland's colleges?

Jenny Gilruth: I do agree. I was in the chamber and heard the exchange that you have cited. The budget sets out more than £656 million in the next financial year to support colleges' delivery of high-quality education and skills. The college sector is a hugely strong part of Scotland's education system

and offers a breadth of opportunity that other parts of that system do not necessarily offer. It makes a really strong offer.

Regarding the budget settlement, the 2025-26 budget sees a £13.2 million uplift in the net college resource allocation. If we include the non-profit-distributing budget allocation uplift of £2.3 million, there is a total college resource uplift of 2.3 per cent compared to the previous year's budget, so we have seen an increase in college resource spending. I also place on record the real strength of the college sector. I see much of that in my job as cabinet secretary, and the minister also engages regularly with the college sector.

The Convener: You have confirmed on the record that you agree with the First Minister, who has said that "adequate resources" are going into the college sector. However, we have been told by Colleges Scotland, regarding the budget, that

"This announcement is deeply disappointing for Scotland's 24 colleges",

that

"the sector's call for greater investment has been overlooked",

that

"This shortfall will have far-reaching implications for Scotland's economic recovery",

and that

"this funding cut poses significant challenges."

Colleges Scotland also says that the £20.1 million cut to capital is "alarming". How can we compare what you and the First Minister are saying with what Colleges Scotland is telling us?

Jenny Gilruth: It is important to recognise that there has been a £13.2 million increase. That was a direct ask from the sector.

The Convener: I am asking very specifically about what Colleges Scotland told us, saying things like "deeply disappointing", telling us that colleges have been "overlooked", talking about

"far-reaching implications for Scotland's economic recovery"

and using words like "significant challenges" and "alarming". That does not in any way marry with what you and the First Minister are saying about colleges having adequate support.

Jenny Gilruth: I think that we have listened to the sector more broadly. I very much recognise the challenges within the college sector. We spoke to the committee about them last year and Mr Dey has been driving forward that work as part of his engagement with the sector and his work to provide flexibilities.

You spoke about some of the challenges relating to capital, but those have been offset by the ending of work on Dunfermline learning campus, which accounts for that reduction. If you subtract the budget for that from the figures, there has been a slight increase in the capital allocation.

The Convener: Cabinet secretary, you say that I spoke about that, but I did not use the word "alarming". It was Colleges Scotland that used the word "alarming". Perhaps the minister would like to comment on that.

The Minister for Higher and Further Education; and Minister for Veterans (Graeme Dey): Context is everything. The position that Colleges Scotland adopted at the outset was to make a budget ask that many people would have considered unrealistic by any judgment. The capital ask represented 178 per cent of the overall capital budget at our disposal, and there was also a very significant increase in the revenue ask. Because that was their starting position, colleges will regard the settlement as falling somewhat short of that, but we should look at the trend in college funding. I recognise that the colleges are right to ask for as much as they hope to get, but the trend shows that the funding for colleges in 2025-26 is £50 million more than it was in 2019-20.

We all know that, at one point, inflation peaked at 10 per cent, so we recognise the challenges there. However, it is important to see the budget sitting alongside the other work that is going on with colleges, which would be acknowledged by individual colleges if they were sitting here today. There is the work of the tripartite group, which is developing those flexibilities.

09:45

On the context of the asks that the sector makes, there was, for example, an issue around the application of maintenance, which we have responded to for 2024-25, and we are looking to do the same for 2025-26. That has made a significant difference operationally for individual colleges.

I recognise that we are focusing on the budget, but I stress the need to look at the work that is being done in parallel, such as the work on asset disposal and the on-going work to broaden the flexibilities to allow individual colleges to better respond to their local economic needs.

The Convener: There is a lot more that I would like to get into, but there are many other members of the committee, so we will go to Jackie Dunbar.

Jackie Dunbar (Aberdeen Donside) (SNP): Good morning, cabinet secretary, minister and officials, and thank you for coming.

I will give the cabinet secretary a wee bit of a break and go to the minister first. Colleges and universities have raised concerns regarding the financial impact on them of the increased employer national insurance contributions resulting from the UK Government's budget. In England, university tuition fees have been raised to cover that increase, so the tax on jobs, so to speak, is being borne by students in order to secure their education. In Scotland, we do not charge tuition fees, so, thankfully, that will not happen here. However, universities and colleges in Scotland will still have to meet the costs unless the UK Government steps up to the plate and provides the means to fully mitigate them.

What are the latest indications regarding mitigation? If the UK Government does not provide the money that is required, is there any possibility of the Scottish Government being able to help our colleges and universities?

Graeme Dey: The cabinet secretary has led on that issue on behalf of the portfolio, so, if you do not mind, she is probably best placed to answer that question.

Jackie Dunbar: Okay. I am not going to give the cabinet secretary a break, then—sorry.

Jenny Gilruth: I think that the committee will be aware that I wrote to the UK Government on that issue on 21 November. If the committee is not aware of that correspondence, I am happy to share details of it. The UK Government has not yet responded to it.

Of course, it is not just colleges and universities that will be impacted by the national insurance changes. We have forecasts on the issue, which are all initial estimates of how the changes might impact on my portfolio area. For children and social care, the figure is £4 million. For early learning and childcare, it is potentially £5 million. For universities, it is £45 million—although universities are excluded, they will, of course, need additional assistance, and my letter seeks to address that. For colleges, the estimate is sitting at around £20 million, although we are working with the Scottish Funding Council on some of the figures. Those are estimates, because we do not yet know how the UK Government will implement the changes to national insurance contributions. We do not yet have certainty on that, and the issue is creating a lot of uncertainty across the education sector.

I realise that your question is on colleges and universities, but the changes have potentially dire implications in other parts of my portfolio. We are seeking clarity from the UK Government. This is not just a matter for my portfolio; it is an issue across Government. I think that the Cabinet Secretary for Finance and Local Government is

currently leading on that work across Government. I am particularly concerned about the implications for the education and skills portfolio, because the changes, which we did not know were coming, will potentially have really serious implications for a number of areas of our education system.

Without clarity, it is difficult for us to give any further certainty beyond where we are at the current time. As and when I receive a response from the UK Government—I should point out that my letter was sent on 21 November—I will be happy to share that with the committee. The issue is very concerning, given some of the challenges that the changes will create.

Neil Rennick might want to speak about the broader work that we have undertaken.

Neil Rennick: You have covered it really well, cabinet secretary. We do not yet have clarification on what overall budget the Scottish Government may get as a consequence of the increase in national insurance employer contributions. Therefore, we cannot advise our public bodies or universities or colleges on how to plan for the budget ahead. Obviously, that is a significant concern.

In the past few days, the First Minister, along with the Convention of Scottish Local Authorities, has written to the UK Government to raise concerns. Clarity will be very important in enabling us and the organisations, including those in the education and skills area, to plan our budgets for the year ahead.

Jackie Dunbar: Okay. That is really concerning.

The Convener: Pam Duncan-Glancy can ask a supplementary question if it is short.

Pam Duncan-Glancy (Glasgow) (Lab): Good morning. Across the rest of the UK, there are different models for funding university tuition. Within those models—in Wales and elsewhere in the UK—solutions have been found. With that in mind, what solutions is the Scottish Government looking at?

Jenny Gilruth: Forgive me, but I believe that the solution in England and Wales has been to increase tuition fees. I do not think that that is something to be considered in Scotland as we have a policy of funding free tuition.

Pam Duncan-Glancy: My point is to ask what the Scottish Government's approach is within the funding model that is being used.

Jenny Gilruth: I am sorry, but is your suggestion that we introduce tuition fees in Scotland?

Pam Duncan-Glancy: Of course not.

Jenny Gilruth: Okay. I wanted to clarify that because some of your colleagues have in the past suggested doing so. That is not a position that my party would support.

We will look to work with the UK Government on the issue. I hope that Ms Duncan-Glancy will work with her UK Government colleagues to give us that certainty. I do not know why we have not yet had that certainty, but it is creating real problems for our university and college sectors in Scotland. Mr Dey and I discussed some of those concerns with UK ministers when we met them just before Christmas. We have looked to address that with the broader funding allocation for HE, which has increased by 3.5 per cent. We will perhaps go on to talk about university funding, but that increase was an ask from the sector.

Jackie Dunbar: I am pleased to hear that in Scotland we will not be charging our students for the cost of national insurance contributions.

In your opening statement, I think that you said that £130 million in the budget had been allocated for the Scottish attainment challenge.

Jenny Gilruth: The £130 million is for the pupil equity fund.

Jackie Dunbar: What work has taken place to replace elements of the attainment challenge, including the pupil equity fund? I presume that some of the budget will be used for that.

Jenny Gilruth: Next year, the Scottish attainment challenge will be 10 years old. It was announced by Nicola Sturgeon, the previous First Minister, some time ago. It is part of our wider aspiration as a Government to eradicate child poverty, which is the point that the convener made at the start of the meeting. That funding stream will end in 2026, and the Government will then have to decide what comes next.

My view as cabinet secretary is that that funding stream has become absolutely essential to the way in which schools are now run. I am sure that, like me, committee members are regularly going in and out of schools. I regularly speak to headteachers about the importance of PEF in their schools in empowering them to take decisions and bring in additionality. It is worth my while to remind the committee that PEF supports more than 3,000 extra staff in our schools, of whom approximately 1,000 are teachers. That additionality in Scotland's schools as a result of the funding stream has been hugely important.

My view is that it needs to remain in place. The decision about what comes next will of course be a matter in 2026 for the next Scottish Government. I hope that that will be my party, but I do not like to prejudge such things as it is a matter for the electorate. However, we need to think more

broadly about resourcing and how, post pandemic, we are responding to some of the challenges in our schools.

In my earlier exchanges with the convener, I spoke about the issue of additional support needs and teacher numbers, which was recently discussed in the chamber and which I am sure that we will come on to talk about. It is hugely important that we have a good relationship with local authorities and help to ensure that they are adequately resourced to meet the additional need in our schools, particularly post pandemic. To think about this in a historical sense, some of the needs in our school have changed astronomically compared to when SAC was first introduced. For example, the changes that we have seen in our schools post pandemic mean that the level of need in relation to ASN is different, and that will require different policy solutions in the future.

Jackie Dunbar: I am mindful of the time, convener, because I notice that my 10 minutes are nearly up. I will come in later, if that is okay.

Pam Duncan-Glancy: Building on the point that you have just made, cabinet secretary, the attainment gap has widened by every measure among primary 1 pupils. At every level, the gap is widest in writing, and at higher level it is the highest that it has ever been. However, this year's budget for raising attainment is 2 per cent less than the amount in the 2024-25 budget. Are you happy to continue to allow us to drop in international league tables and for the poorest pupils to be failed?

Jenny Gilruth: You have made a number of suggestions, Ms Duncan-Glancy; I do not agree with all of them.

I am sure that you are au fait with the data on achievement of curriculum for excellence levels—ACEL—which we published in December. It showed a record narrowing of the attainment gap, particularly among our primary 7 pupils, which is to be welcomed. We are starting to see real progress.

Of course, if you look at some of the—

Pam Duncan-Glancy: I used the ACEL data to talk about the attainment gap widening year on year in every measure at primary 1.

Jenny Gilruth: I am sorry, but the latest ACEL data statistics, which were published on 10 December, show that the gap between the proportion of primary pupils from the most and least deprived areas achieving expected levels in literacy has decreased to the lowest level on record. We will have to agree to disagree in that respect.

We are starting to see progress. Undoubtedly, progress has been affected by the pandemic. The

schools data that the member cites shows progress on attainment compared with 2019. It is difficult to make comparisons with the exam results in some of the more recent years because of the different arrangements that were in place during the pandemic, but we are starting to see real progress.

The member also spoke about international league tables. It is worth pointing out that there has been an increase in funding in the budget because we are rejoining two of the international league tables that she mentions, which will provide greater clarity. The December 2023 programme for international student assessment—PISA—statistics, show that the post-pandemic picture in Scotland is similar to the position in other countries. Of course, the OECD described that edition of the PISA results as the Covid edition. We really need to be mindful of the impact that the pandemic has had. However, we are starting to see real progress in terms of that narrowing gap, and that is certainly to be welcomed.

I conclude by noting that the ACEL data is predicated on teacher judgment. We all trust Scotland's teachers to make those judgments, and that is certainly to be welcomed, too.

Pam Duncan-Glancy: Of course, and that trust is one of the reasons why I made my earlier comments. However, there is still a 2 per cent reduction in raising attainment money, and I think that it is quite clear for all to see that that is a real concern in schools just now.

I will just clarify what I am talking about in relation to the 2 per cent reduction, before someone challenges me on it. The strategic equity fund remains at around £43 million, but the total of the SEF is planned to be reduced in 2025-26 as the transitional taper from the challenge authority model to the SEF ends. In real terms, that means that about 2 per cent less is going into raising attainment than was the case in 2024-25.

You have also—

Jenny Gilruth: I can give you an answer on that. The reason why that is happening is an ask from COSLA. Our previous approach targeted funding at those local authorities with the greatest areas of deprivation. COSLA asked us to treat all local authorities equally, which is why we have had to taper the funding over a number of years. That is why the reductions that you are speaking about are occurring. We are tapering the funding as we spread it across Scotland's councils, as opposed to targeting those areas that are most in need. That was an ask from local authorities. The decision pre-dates my time, but it has been happening over a number of years, so it is not a new thing. I think that this will be the last year in which that tapering happens.

Pam Duncan-Glancy: But it is still the case that there is a reduction.

I am conscious of time, so, if it is all right, I will move on to talk about ASN. The Cabinet Secretary for Finance and Local Government made a statement about the £29 million additionality to ASN. However, my understanding is that that is to cover grant-aided special schools, the implementation of additional support for learning, Enquire, CALL Scotland, the "Let's talk ASN" service, the Scottish Sensory Centre, Dyslexia Scotland and so on, so it will be spread quite thinly. However, young people with additional support needs are still in intolerable circumstances. How many more young people will access specialist support as a result of that additional spend, given how thinly it will be spread?

Jenny Gilruth: I will just go back briefly to the member's point about the 2 per cent real-terms cut, because that requires to be challenged. I am more than happy to write to the committee on it, but my understanding is that that is not what is happening in relation to that budget line.

Neil Rennick: That is correct. We have provided multiyear allocations to local authorities from the attainment funding, and that has been reflected in the budget, so the known figures are in there.

Jenny Gilruth: On ASN, it is not my understanding that the £29 million funding includes the specialist provision that goes to the individual schools that we fund directly, for example. This is about us providing additionality to local authorities for specialist staff. One of the points that the committee made in its inquiry was that we have seen reductions in relation to the number of specialist staff in our schools, and I accept that. That £29 million is earmarked for that purpose, and we are working with COSLA to identify what those interventions might look like. For example, one of the points that the member has made to me in the chamber concerns the reduction in the number of ASN specialist teachers. I am sympathetic to that point, and I think that some of that £29 million should be used by local authorities to employ more ASN teachers. That is a decision for them, but the funding package gives them the opportunity to do that. They might also want to employ educational psychologists and so on, and they may want to invest in speech and language provision. That is what that £29 million is earmarked for.

Pam Duncan-Glancy: It is less than £1 million per local authority, and the need is particularly great, but—

Jenny Gilruth: Indeed it is, which is why a record amount is being spent on ASN across the country. In the most recent financial year—

The Convener: Let us hear the question, and then you can answer.

Pam Duncan-Glancy: Thank you, convener. I have just listed the other aspects that are expected to be funded through that. Should we expect a reduction in support for those aspects, or will additional funding be provided?

10:00

Neil Rennick: We have not reduced the other funding that is provided through local government for additional support for learning. As the cabinet secretary said, the £29 million is additional to that. Through dialogue with COSLA, it has been agreed that £1 million of that will be used for national-level programmes that will apply across all local authority areas. The remaining £28 million will be allocated through local government. As the cabinet secretary said, the exact detail of how that will be used most effectively for the benefit of young people with additional support needs is part of the discussion that officials are having with COSLA, and that will subsequently be put to the cabinet secretary for agreement.

Jenny Gilruth: Apologies, convener—I should not have spoken over the member.

This funding is in addition to the £926 million that we already invest in additional support needs. That is record funding. It is not an either/or situation—the £29 million comes on top of that. The member also mentioned the grant-aided specialist schools provision. Since 2019-20, we have provided more than £11 million every year towards that.

The £29 million of funding will not be used for other purposes. It is additional funding in the budget, in recognition of the level of need that exists in our schools in relation to ASN post the pandemic. It will enable us to work with COSLA to help to provide the specialist staff provision that is required. The committee recommended that the Government should look at that, and I think that we have responded to that recommendation.

Pam Duncan-Glancy: I appreciate that. It is stated in the level 4 data that some of that funding covers the areas that I highlighted.

I will move on to colleges and universities. Good morning, minister, and happy new year. I note what we have been told about the settlement for colleges and skills, but the calculator produced by the Scottish Parliament information centre suggests that colleges face a real-terms decrease in funding. Colleges Scotland has said that that is deeply disappointing. There has been a reduction

in the number of college places, in staff and in the number of qualifications that are offered. In its submission to us, Colleges Scotland said:

“This shortfall will have far-reaching implications for Scotland’s economic recovery, its ability to attract and retain industries, and the country’s over-reliance on imported labor”

and that

“The result will be an enduring prevalence of low-paid jobs, leaving many citizens trapped in poverty.”

How do you intend to address skill shortages, given that colleges face a real-terms reduction in funding?

Graeme Dey: Addressing skill shortages is central to all the work that we are doing in the reform space. We are trying to ensure that the offering from colleges is much better aligned with the needs of the economy than it is currently. There are many examples of colleges working closely with local employers and meeting those needs, but there are instances in which that is not happening.

We are trying to bring about reform in that space and to ensure—this relates to your point about low-paid, low-skilled jobs—that the offering to our young people through college courses and apprenticeships is improved so that they have a better chance of obtaining long-term, well-paid, sustainable employment. That is part of our overall work.

With regard to colleges, as I said earlier in response to the convener, we must look at the budget in the context of all the other work that is being done with the college sector, particularly through the tripartite group. A number of assertions have been made. One figure that has been bandied about is that the college sector will have an operating deficit of about £70 million for the current year, but, as I understand it, that does not take account of some of the measures that we have implemented.

I will give an example of what is being done, not only by the Government but by the SFC, to assist the college sector, much of which goes unseen. The colleges were facing a potential pensions deficit, which we have addressed by providing an additional £6 million. The issue of maintenance was touched on earlier. We have put in an extra £13.5 million to assist colleges to address that problem. I know of a college that, without that extra support, was facing a budget deficit of £1.25 million. It will now break even for the current financial year.

The other issue that is often not touched on—I understand why that is the case—is the recovery piece, which is commonly referred to as clawback. That is where colleges are underperforming in the

context of credits allocated set against the number of students they attract. Historically, that money was recovered and brought back into the system. Over a period, not just on the cabinet secretary's and my watch, the SFC has increasingly given flexibilities to the colleges to retain that money, to the point where, in the current financial year, only two colleges are facing clawback. That often goes unmentioned in the context of what we are doing with the colleges.

I understand that this is a challenging time for the colleges, particularly as they are trying to move into a different space that is better aligned to the needs of the economy. However, we are providing a lot of support, both directly and to the SFC, to assist them.

Pam Duncan-Glancy: Can I ask a question in relation to universities?

The Convener: It will have to be a final, short, supplementary question.

Pam Duncan-Glancy: On clawback in relation to universities, we know that a number of the modern institutions have had quite a bit of funding clawed back because they did not fill their places, as a result of a reduction coming through from colleges, largely because of the underfunding. Given that it is largely because of that, is the minister prepared to look at the use of clawback by the SFC for universities, too?

Graeme Dey: I do not necessarily accept the premise of some of what you have said, but I respect the convener's point about time. The universities have asked us to look at whether the SFC can provide a similar degree of flexibility. I do not think that that is an entirely unreasonable ask. A conversation has already started with the universities, which was brought about by a helpful suggestion from an individual principal. I urge caution, though. If a university has a substantial potential sum to be recovered and we do not bring some of that money back into the system, it limits the ability of the SFC to act flexibly and respond to individual asks. There is a balance to be struck. Given our relationship with the university sector and the open discussions that we have, I am not going to sit here today and rule that out, but there are limitations to what the SFC can do.

Bill Kidd (Glasgow Anniesland) (SNP): I have a couple of questions on an issue that concerns a number of people. What information do you have so far about how education institutions are dealing with the end of funding for mental health support? Are counsellors still in post?

Graeme Dey: The additional support that was provided to the institutions was for a fixed three-year period. However, we recognised that there was a period, as they moved into the implementation of the student mental health action

plan, when they would have to evolve their offering. We provided a further year of funding, but that has now ended. I have had conversations with individual colleges and universities and they recognise that that was going to happen and have prepared for it. However, that is not to say that they do not face significant challenges in supporting students. Of course, that is a problem across society with mental health. Universities Scotland or Colleges Scotland have not said to the Government or the SFC that there is a real crisis and that they need more money, for example. They have coped with that. I pay tribute to them, because the challenges on the ground, at the coalface, in individual institutions can be quite significant for the staff who are dealing with the situation. However, that is where we are.

Bill Kidd: We knew that the funding was limited to a certain timescale and that it would run out, which it has. Are colleges and so on supposed to find some other way of supporting people in the interim, or is there some sort of link with the national health service?

Graeme Dey: Colleges are provided with additional discretionary funds for student support, which they can utilise in ways that they see fit. You make a very good point. I should have said that a large proportion of the original funding for mental health counsellors came from the health budget, if memory serves.

I hold my hands up, because I delayed the student mental health action plan. I was not happy that the right balance had been struck, in the original proposal, on whether the NHS, local boards and health and social care partnerships would take equal responsibility in that space. What we think that we have arrived at, working with both sectors, is an approach that requires the health boards and health and social care partnerships to take co-ownership of addressing the needs of those students.

We will obviously monitor how that works in practice; I am hopeful that it will work. We are all over this area—we have a stakeholder board that is monitoring it, and I look forward to its first report on how it sees that the area is being progressed. I accept that student mental health is not an easy subject, and we need to recognise the pressures that all our institutions, and our schools, face in dealing with it.

Bill Kidd: It is good that a watch is being maintained on it.

As we all know, there is no capital budget in the next year to support the expansion of the existing free school meals programme. Has the work to look into that expansion been paused? Will it be revived? What are the barriers to expanding universal free school meals to all primary pupils?

Jenny Gilruth: You are right to say that there is no capital allocation for free school meals in next year's budget—that is because the capital allocation for free school meals roll-out for those in P6 and P7 who are in receipt of the Scottish child payment has been baked into the current year's financial settlement, so there is no need for that capital in the next financial year. The funding that we have provided in next year's budget, which we are speaking about today, is for resource, and it is an uplift of £50 million. That is the reason why it does not appear in the budget itself.

The committee will be well aware of the Government's commitment to universality and to working towards that, and of the financial challenges that we have faced in that regard. We task the Scottish Futures Trust with providing the Government with independent forecasts for what universality might cost. I think that the costings, when I last considered them, were just over £250 million, which I did not have in my budget. We have therefore taken an approach to target free school meals provision at those who are most in need.

It is worth noting that Scotland is the only part of the UK that continues to make some provision for free school meals across the school holidays, which is important. That funding goes directly to local authorities.

The challenges to achieving free school meals universality have largely been financial. I think that the committee knows that—we have certainly discussed it in the chamber at length. It remains our aspiration, subject to financial agreement from elsewhere, that we will continue with our progress on universality.

I should put on record that some parts of the country, such as Inverclyde Council, currently provide universal free school meals. The Government also provides free school meals to those who qualify for them right up to the end of secondary 6. That capital provision is not made in the next financial year because it is not required.

Universality remains our aspiration, and we know that that investment, although it is not currently where we would like it to be, is making a real difference. It is helping to save families, on average, £400 per child per year, so it is a worthwhile investment, and we will continue to work with local authorities on universal roll-out.

Bill Kidd: So you are currently looking to achieve the full universal provision of free school meals for primary school children.

Jenny Gilruth: Yes—absolutely. Members will know—I think that they may be aware—that I was a teacher before I did this job and, having taught hungry children, I know that it makes a real

difference if children have had something to eat before they come into school.

On that point, I should say that the budget makes additional provision for pre-school breakfast clubs, through the bright start breakfasts programme, which is important and will make a huge contribution. It is also worth pointing out that approximately 50 per cent of schools in Scotland already have some sort of breakfast provision. Some headteachers use their pupil equity fund, through the attainment challenge funding that Ms Dunbar asked me about, to fund breakfast provision in their schools. There is a mixed model across the country.

The bright start breakfasts pilot programme that we have introduced will help to give us some additional information on how we could roll out that provision further, because we know that investment in school nutrition, whether it is in free breakfasts or free school meals, makes a real impact in improving attainment.

The Convener: On that point, cabinet secretary, you say that you are very positive about the provision of free school meals, which was a manifesto commitment on which your Government was elected. I go back to my original question to you. Did you ask the finance secretary to include that provision in the budget and she did not, or did you not make a bid for free school meals and an uplift in funding to deliver that?

Jenny Gilruth: Every cabinet secretary negotiates with the finance secretary of the day to deliver additionality for their portfolio—

The Convener: Was it a priority for you?

Jenny Gilruth: Of course we discussed free school meals, and you will be aware, convener, of the costings from the Scottish Futures Trust, which put the cost for universal roll-out at more than £250 million in further additionality. We do not have that additionality, but we have been provided—

The Convener: Did you ask for some of that money? The reason why I am focusing on this, above it being a manifesto commitment that you were elected on, is that we have had a vote on it in Parliament in which your Government was defeated. Opposition parties united to pass a motion to deliver free school meals to all primary school pupils, and you are ignoring that vote of Parliament.

Jenny Gilruth: I do not think that that is the case.

The Convener: So you are delivering what the Parliament voted for.

10:15

Jenny Gilruth: No. What I have said, though, is that we are looking to further develop some of our expansion, which is why the additionality in the budget for the bright start breakfasts campaign is hugely welcome. I hope that that will be welcomed by all parties, because—

The Convener: That is separate from universal free school meals—

Jenny Gilruth: Of course it is, but we are—

The Convener: —sorry, cabinet secretary—which was in your 2021 manifesto and was also agreed by this Parliament. The Government is very keen, when it wins votes, to say that that shows the will of Parliament. Why then, when you lose votes, do you not go to the Cabinet Secretary for Finance and Local Government and say, “Look, Parliament united. We lost this one, we have to do this, put it in the budget.”

Jenny Gilruth: I continue to work with the Cabinet Secretary for Finance and Local Government. I have set out some of the financial challenges here. We exist in a Parliament of minorities, so if any political party, including your own, convener, wishes to come forward with budget proposals—

The Convener: Well, we did—it was our motion that was successful and garnered the support of other Opposition parties. It is sad that that does not materialise into action.

Neil Rennick: It is worth saying that our analysis suggests that the expansion that will apply during 2025-26 to P6 and P7 pupils in receipt of the Scottish child payment will benefit 25,000 pupils and their families. That is not an insignificant impact—

The Convener: It is not insignificant at all, but it is also not a universal roll-out, which was promised by the Government that is now in charge and which was agreed by Parliament.

Miles Briggs (Lothian) (Con): Good morning, ministers and officials. During our pre-budget scrutiny, the committee heard that an underlying operating deficit of around £70 million was predicted, with four colleges experiencing significant financial issues. How many other colleges do the ministers expect to be expressing financial difficulty this financial year?

Graeme Dey: I dealt with the £70 million underlying deficit—if one accepts that figure—in a previous answer, when I outlined some of the measures that have been taken in response to it.

On the four colleges being in significant difficulty, the SFC works closely with individual institutions as and when it emerges that they have an issue. That often requires that colleges come

forward and identify to the SFC that they have issues of that kind.

In no way am I looking to dodge your question, but it is difficult to answer because there has to be a dialogue between the SFC and the colleges. Ministers do not deal with the finances of individual colleges. If a college comes forward and suggests that it has a short-term or a long-term difficulty, there will be engagement between the SFC, the institution and any regional body that might be involved to ascertain the nature of the problem and how it might be best addressed and then to react to it.

That goes to my earlier point about the need for the SFC to have a bit of flexibility in its financing, so that it has those moneys when it needs to step in and provide support. Of course, when the SFC does that, the institution concerned is required to demonstrate that it is on a path towards sustainability. Providing support cannot be an on-going, constant process where the institution is not trying to achieve a more stable position than the one that it is currently in.

Miles Briggs: We have become acutely aware of the unstable financial environment in which colleges are operating, and we are now seeing that in the university sector as well. The Institute for Fiscal Studies calculates that the resources that are available for undergraduates in Scotland are around 21 per cent lower than those for undergraduates at English universities, for example. We have heard the cabinet secretary’s views on the current funding model, but universities across Scotland are calling for the Government to review that model. Is the Scottish Government willing to look at that model, or does it just understand that more universities will end up in a more difficult financial situation in the future?

Graeme Dey: I would like to think that, if representatives of Universities Scotland were sitting here today, they would concur with what I am about to say. The relationship between the Government, the SFC and the university sector is far better than it has been in the past, and that manifests itself in an open and on-going dialogue around future funding and a variety of other things.

Our premise, which I think is accepted by the university sector, is that free tuition is a central tenet of the offering. You will probably be aware, Mr Briggs, of a report that was published two years ago by the University and College Union. It suggested that, had we not had that offering in Scotland, up to two thirds of our students would, at the very least, have had to think hard about whether they could go to university.

Morally, it is important to us that those young people who want to go to university are able to do so. Fundamentally, it would undermine our

universities if many of our indigenous students were not able to go to university. We accept that free tuition is here to stay, and I think that most parties do. It is perfectly reasonable for the university sector to want to start a conversation about what future funding looks like. We are open to those conversations.

On the point about the instability of universities, I do not think that any of us can sit here and say that some of the challenges that our universities are facing are entirely down to the funding model. There are other things at play. We cannot lose sight of the impact that the migration policies and the articulation of previous UK Governments on the subject of migration have had an enormous detrimental effect on our universities and their ability to recruit. I am not just talking about Scottish universities; that is also the case in England. We can talk about whether there is an overreliance on international students as part of the funding model, but the simple fact is that our universities have been side-swiped by migration policy. It is not simply about what is implemented—even a conversation can have an effect. There was a further schism towards the end of the last Westminster parliamentary session when the then Prime Minister asked the Migration Advisory Committee simply to look at whether there had been abuses of the postgraduate study visa, and that had a detrimental impact.

We are working very closely with our universities on a variety of fronts. We are open to discussions about future funding models and what that would look like, accepting that free tuition is here to stay. We are also doing quite a significant piece of work with our universities on promoting Scotland as a “come to study” destination and, at the same time, trying to de-risk the international aspect. Some of our institutions are overly reliant on certain markets, such as Nigeria. A few weeks ago, I met representatives from a number of south-east Asian countries and we discussed the barriers to more students from that region coming to Scotland, so that we can broaden the international presence. Some of the issues that were raised included a perception about whether they would be welcome in the UK, because of the rhetoric on migration. Another aspect was the cost that is associated with visas and how long it takes to get them resolved. We are doing a great deal of work with universities to try to address some of those challenges and we have are working jointly on international promotion. There is no complacency on our part, if that is what you are referring to, on this issue. There is considerable on-going dialogue with the sector.

Miles Briggs: I am not sure whether I heard in your answer that you accept that, after 18 years of the policy on free tuition, the sector is saying that it is not working, and that the Government is willing

to review it. The cabinet secretary may want to give a yes or no answer to that.

Jenny Gilruth: Are you suggesting that the Government review its policy on free tuition? If so, that is not a position that we will be able to support.

Miles Briggs: The sector is saying that the financing model is not currently working, and we know that that is why there are all these problems. Apart from the Government saying that it wants to continue the free tuition policy, what is the Government going to do about the current state of the finances for our university and colleges sector? There is clearly a need for cross-party review to look at how more resource can be put into the university and college sector, which the Government does not currently have any access to.

Jenny Gilruth: I accept the member's challenge. On a point of principle, though, the minister and I will not agree with him about tuition fees—

Miles Briggs: What about a review?

Jenny Gilruth: We work very closely with universities on funding. We met Universities Scotland ahead of the budget and listened to its asks, and I think that those asks have been met with the budget allocation that is being provided—although the minister may have his own views on that. There is a 3.5 per cent increase in the allocation. We will continue to work with universities. It is also worth pointing out that universities are not solely dependent on the Government for their financing. They are independent institutions, and many work independently to bring in a variety of different funding streams to work collaboratively and in ways that, arguably, the Government cannot, to bring in additional finance. It is not a one-way street. I am open to engagement with universities about funding, and Mr Dey engages regularly with the sector.

I conclude with a reflection on the current challenge with national insurance contributions, which I do not have an answer for, and neither does the budget. That is a challenge, because unless I have clarity from the UK Government, I cannot respond to the sector's needs. That is creating real uncertainty. Mr Dey also alluded to some of the challenges with international students, and I should add the consequences of Brexit for the sector. Mr Briggs will observe that some of the challenges are not necessarily of the Government's making.

Miles Briggs: We will perhaps pursue that further in Parliament, when we may have an opportunity to see where the Government is going to go, over the last year of the session, to ensure

that our universities are not put at a competitive disadvantage, as they are warning.

I wish to move on to an issue regarding the letter that the cabinet secretary wrote to me on 23 December 2024, which said:

“The Scottish Government is supportive of the UK Government policy to remove the VAT exemption for independent school fees.”

Can she update the committee on how many pupils that has had an impact on? Given that one in four pupils in Edinburgh attends an independent school, what additional resources will the City of Edinburgh Council be allocated via COSLA?

Jenny Gilruth: I engaged with the member on that before Christmas. I do not have the detail in front of me on the current number of pupils; that would be a matter for the individual institutions. I will ask officials whether we can share that data with Mr Briggs.

More broadly, we have engaged with the UK Government throughout the process, and we agree with it on a point of principle around the policy. However, as Mr Briggs knows, and as I think I reflected in my correspondence to him, the private sector in Scotland is very different from that which exists in other parts of the UK. It is hugely important that the way in which the legislation is enacted in Scotland meets the needs of the Scottish system. I met representatives of the Scottish Council of Independent Schools over the summer last year to hear about those needs, and it is hugely important that they are reflected.

As I think was documented in the press over the Christmas recess, we asked for a number of changes to the way in which the policy would be enacted in Scotland. Some of our concerns and issues were listened to, particularly on how we measure the number of SEND pupils—those with special educational needs and disabilities. There is a measurement that is used in England, but those pupils are not classed in that way in Scotland, of course. It is important that the policy intent of the legislation is met in Scotland.

Mr Briggs asked specifically about the City of Edinburgh Council. I recognise that a higher proportion of pupils attend private schools in Edinburgh and there are therefore potentially more challenges in the city in that respect. Following our analysis and our engagement with the City of Edinburgh Council, I am advised that there is capacity within the system to absorb the additional pupils who may come into the system. We have carried out that forecasting across local authorities. I recognise Mr Briggs’s constituency interests because of the implications for the City of Edinburgh Council in particular, but we have had close engagement at official level to ensure that the city council has the right support in that regard.

We will continue to work with the UK Government on how the policy is enacted on the ground in Scotland.

Neil, do you want to say more about our engagement with SCIS and about the numbers and whether we can share the data with Mr Briggs?

Neil Rennick: We will come back to the committee on those numbers.

Miles Briggs: That is helpful—thank you. Given the implementation date of 1 January, that data will just be coming forward now.

Finally, I wish to return to Bill Kidd’s question regarding mental health support and the £18.8 million that the cabinet secretary cut from the budget. Colleges Scotland has provided a very useful suggestion regarding a national benchmark, and the minister touched on that. We know that there is a postcode lottery for the provision of mental health services for college students. Are the cabinet secretary and minister actively taking that matter forward? I did not pick that up from the minister’s answers.

As we know, and as the cabinet secretary has said, the level of need has changed following the pandemic. We have record levels of suicide in our student population, which must be addressed. I am concerned about the £18.8 million cut to mental health services—which is a direct cut to student mental health services.

Jenny Gilruth: I would reflect on some of the points that the minister has made previously. When the funding was first introduced, it was a temporary funding agreement that was to last three years. When the minister and I came into post, we agreed to an extension for a further year to support our colleges, recognising the particular points that the member has made.

More broadly, not just in our colleges but across our education system post-pandemic, mental health will continue to be a challenge for our schools, for staff and for college and university students. We will continue to work with our colleges.

The minister spoke about some of the further work that is being done on the mental health action plan; he may wish to say more on that. Having had sight of his work on getting things into a better place, I know that that has been really important for delivery on the ground and for having a joined-up approach with NHS services. It is not just about education services, and we must have partnership working.

Mr Dey may wish to say more regarding the further education sector.

Graeme Dey: I would simply add that the whole approach to shaping the mental health action plan was to bring about greater consistency. I have talked to representatives of individual colleges and universities and to front-line staff, and I have heard about some of the issues that they are having—and we fed that into the process. I refer here to the ability to escalate someone's case through the system.

10:30

It troubled me greatly to hear stories from front-line staff of students coming to college or university and presenting on day 1 to the college support services saying that they had been told by their general practitioner that they should come and speak to them on arrival because those services would be able to get them into the system. That was, and remains, deeply troubling, and is one thing that has driven the actions that we have taken. However, as I said in my earlier answer, Mr Briggs, we will monitor how things work in practice, so that we can more effectively support our universities and colleges.

George Adam (Paisley) (SNP): Good morning and happy new year to everyone. I have said that to members already, I think.

As everyone knows, I have been in and out of this committee over the past 10 or 15 years, during which time much of our debate has been about the poverty-related attainment gap. The convener was right to bring up yesterday's debate about child poverty, and how education is part of the solution, as you have said, cabinet secretary. However, in constituencies such as mine—Paisley—that is a challenge.

Drama goes on in this place. Hyperbole has been applied even to some of the questions that we have heard today. Given all the challenges that the Government faces, where are we on dealing with the attainment gap—in plain and simple terms, cabinet secretary—and how does the budget help?

Jenny Gilruth: As I outlined in response to Pam Duncan-Glancy, we are making progress, which is shown by the achievement of curriculum for excellence levels data that was published in December.

I would like us to be making more progress but, undoubtedly, a number of challenges have disrupted progress. Not least of those was the pandemic. We might come on to talk about that later. There are real challenges in our schools post-pandemic because—to be blunt—young people were out of formal education for the best part of two years. That is borne out in attendance statistics: some young people are really struggling

to get back into formal education. It is also borne out in attainment. We need to be mindful of that.

However, we need to look again at how we can drive improvements in our schools. Just before Christmas, in a statement in the chamber, I provided an update on the national improvement framework and how that work will push forward some of the improvements that are needed in our schools. Subject to agreement on Parliamentary business, I also plan to bring forward another debate and to make a statement to identify some of the actions that we will take on improvement.

However, I will also reflect on a point that, I think, Jackie Dunbar made. Some of the work on the attainment challenge goes back to 2015 and 2016—nearly 10 years ago. When the funding was first envisaged, we would not necessarily have thought that headteachers would use it to pay for free breakfasts or similar interventions. What we have seen in our schools is the impact of austerity over the past decade. That funding, which was meant to be additional to budgets, has now become central to how we fund our schools because of the erosion of some services as a result of austerity policies. Schools are having to fill the gaps.

I have been open and honest about that. It is undoubtedly having an impact on how we make progress in closing the gap. However, progress is being made. I would like more progress to be made, which is why we have introduced the national improvement framework update.

Members might be aware that there was some commentary on maths and numeracy over the recess period. That issue is why, last year, we appointed the first national numeracy specialist, who is a former maths teacher and headteacher. They are leading on that improvement work. It is also why we have a radical approach to school education reform, which is part of the answer to closing the poverty-related attainment gap.

However, I go back to the convener's point at the start of the evidence session: this is not all about education, and we must not narrowly think about it in that way—if we do, we will lose the opportunity of other funding streams. Further action that the Government is taking—for example, on mitigating the two-child cap—is fundamental to closing the poverty-related attainment gap. Additionally, the Scottish child payment helps to lift more children out of poverty. All such policies need to be brought together, which is why the convener's opening question about having a cross-Government approach to eradicating child poverty was such a salient point, and it relates to your point about closing the poverty-related attainment gap.

George Adam: You mentioned pupil equity funding, which you also brought up in your opening statement. During my time on the committee, that funding has been used differently by schools in various areas. That is a good and positive thing for areas. However, the difference tends to happen where leadership at the local level—within the schools—proactively goes forward in areas of deprivation, where they really look at ideas. Are there examples of how we could do more to support such areas and the people who are doing such things?

Some of the headteachers that we have had in the committee over the years have been inspirational in their work. Is there any way that we could encourage others or have some shared working so that they can see what is being done well in certain areas?

Jenny Gilruth: There is a programme of work that is currently being led by Education Scotland on PEF sampling, which is essentially to identify the best areas of practice and to lift those up so that others can learn from them. I think that that addresses the member's point.

There is a range of measures that headteachers across the country are taking. In my experience, PEF is often used to employ additional staff—I think that I mentioned that in response to a previous question. As a result of PEF there are now just over 3,000 additional staff in our schools.

PEF is being used for a variety of interventions. When I go into schools and speak to headteachers, I am always struck by their reliance on the fund. It is hugely important in driving change in our schools and in providing support to our young people, particularly in the post-pandemic period.

Bringing in a funding stream that empowered headteachers and allowed them to make decisions was a real change in culture. The way that we previously funded our schools did not allow for that; there was a quite centralised approach in which local authorities provided funding to schools. Now, headteachers are in the driving seat for making decisions that bring into play interventions to make a real difference.

Earlier this week, I had a discussion with officials on the PEF sampling work that I spoke about. I would be more than happy to share details of that work and where interventions are having the greatest impact, if the committee would like me to do so.

George Adam is absolutely right: if you go into your constituencies and speak to headteachers, you will see the difference that the additional funding is making on the ground. Many headteachers evangelise about the difference that

it makes and about the importance of having such additionality in their school community.

George Adam: This question is on the same theme and is probably for Mr Dey. When we talk about going into higher education and universities, it has historically been the modern institutions like—dare I say it?—the University of the West of Scotland that have been making sure that they have hit the Government targets on university attendance by people from poorer backgrounds. However, since coming back to the committee, I have heard from stakeholders that the ancient universities have now come to the party and that they are also starting to do something.

Where are we with that? Is there flexibility in the budget for you to give further support to institutions? We all know that university students from certain backgrounds might do well in year 1, but in year 2 they just drop out. It was always the case that the expensive year for institutions was year 2, when quite a few young people would leave. Is there still flexibility to support them in that scenario?

Graeme Dey: We have made it clear to the SFC that we expect part of the additional funding that has gone to universities to be used to enhance the student experience. That would partly cover what you have alluded to.

I join you in paying tribute to the universities, because the progress that we have made in widening access is overwhelmingly down to them, as a sector. They have done some fantastic stuff and you are right to note that it is not just the modern universities that have done that.

The biggest impediment to reaching the next target is not the amount of money but the ability to get to all the students who could be captured by the policy. The well-intentioned legislation that was passed by the Parliament has worked well to a point, but we need to go beyond that.

Next week—I think—I will chair a meeting with the stakeholder group on widening access to look at what more we can do. In the short term, we are running a pilot in Aberdeen and Aberdeenshire to look at data on free school meals. There is a data-sharing problem in Scotland that is holding us back.

We are looking into what more we can do to support our universities on the journey, because we must enable them to achieve the target. We are also looking into what we need to do in the longer term. As I say, in this instance, it is not so much about the amount of money as it is about how we enable the universities to achieve their targets.

George Adam: We have always used Scottish index of multiple deprivation figures, which are a

blunt instrument. In my constituency, the SIMD figures talk about Ferguslie Park being an area of multiple deprivation, but that is only the case for two or three streets. The SIMD figures have a red mark that says that right outside the Parliament building is an area of multiple deprivation. There are patches of deprivation everywhere, throughout the country. I am more interested in how you are going to get that detail and that data, because that is the important part of making the policy work.

Graeme Dey: In Aberdeen and Aberdeenshire, there is an existing data-sharing protocol that does not exist in other localities. We are exploring what we could do in the short term to get around that in order to assist our universities—but there is also the longer-term piece to consider.

I am looking forward to the meeting next week. It was partly instigated by conversation with a member of the Opposition in Parliament who represents an island community—one of your colleagues, Mr Rennie—who brought to me an issue that has helped to inform our thinking.

I go back, if I may, to Mr Adam's earlier conversation with the cabinet secretary. Beyond primary and secondary school education, it is about not just university but our offer to young people who come from deprived backgrounds and how it can capture them all.

In my space, we have been doing a couple of things in that respect. We have been looking closely at the provision that is in place to try to support young people who have not prospered in traditional education settings. We run a number of programmes in that area, and I am trying to satisfy myself that nobody is falling through the cracks in that regard.

We are also currently doing a piece of work that is looking at foundation apprenticeships and vocational offerings in schools. You are right, Mr Adam, to say that a number of schools do fantastic work in that space, but in some instances, foundation apprenticeships are being used to take disruptive pupils out of classes, and those pupils are not getting the maximum benefit from that. We have been looking closely at what we can do to enhance the offer for the cohort of pupils who would prosper through a proper foundation apprenticeship or a good vocational qualification. We are working across portfolios to try to bring all that together.

George Adam: All of us in this place have probably heard the criticism that we have focused a lot on higher education and access to it. At the end of the day, we might have lawyers, doctors and everything else, but no plumbers and electricians, so there is a need for us to go down the vocational route as well, to ensure that we get that provision. Where do you see that going?

Graeme Dey: I am a huge fan of programmes such as Career Ready, which many members will have come across, that involves people who have been successful in their careers giving back through a mentoring programme to support young people. It is quite a moving experience to visit some of those programmes—it is amazing to see what is happening. I am really keen that we maximise our support for that work. As part of our mapping exercise, we will look at where that sits with the developing the young workforce programme and some of the programmes within that. I want to ensure that we are providing a safety net, if you like, for young people and a real and meaningful opportunity for those who have not necessarily prospered in traditional education settings.

Jenny Gilruth: I will come in briefly on that point, if I may. Mr Adam made an important point, which is why our pathways programme in the senior phase now looks dramatically different from what it might have been when he and I were at secondary school, which is some years ago now.

We are now seeing, certainly in last year's exam results, record numbers of pupils undertaking vocational and technical qualifications. Our schools are now diversifying their curriculum offer, and colleges are fundamental to that. On the point that Mr Adam made about plumbers and people going into trades, there is now much better partnership working between colleges and schools, which has really improved the number of pathways that are open to our young people.

In addition, there is a real opportunity through education reform to join up work further; I am sure that we will discuss that in more detail as the relevant legislation comes forward.

Willie Rennie (North East Fife) (LD): First, on George Adam's point and what the minister said in response about the ancients and widening access, I have seen for myself that the University of St Andrews has done an extraordinary job of ensuring that when students come, they stay and complete their courses, so there is not the drop-out rate that George Adam talked about. That costs money, but the university has nevertheless made a remarkable difference, and I think that it deserves credit for having done so.

I want to talk about the sustainability of university finances. The Institute for Fiscal Studies has said that there has been a 22 per cent real-terms cut in university teaching funding in the past decade. Does the minister accept that figure?

Graeme Dey: There are a number of figures being bandied about. As I said earlier, if we trace the funding that goes to our institutions and pick one year and compare it against another, we see that there are different positions.

I accept that universities can reasonably argue that the funding that they receive, in real terms, has gone down. I accept that—we can argue about the extent of it, but I accept the premise. That is why, as part of our discussions with the universities, we have been looking at what more we can do, beyond the obvious funding streams that sit within education.

Our universities contribute so much to what we are doing. For example, we have been working closely with health colleagues on workforce planning. What opportunities lie with the universities? We are looking at expanding the graduate apprenticeship offering—there is real potential there. However, I recognise that that will require additionality for universities, and that they cannot simply use the places that they have. Steve Decent, the principal of Glasgow Caledonian University, is leading a piece of work on that for me.

We are seeking to maximise access to our universities through the broad spectrum of Government funding, in order to reflect the impact that they have on the work of the Government and the economy.

10:45

Willie Rennie: That is good and detailed work, and I am pleased that it is happening, but I am just not sure that it captures the scale of the challenge. There are two particular figures that I have identified. One is the net liquidity days figure, and the other is the cash flow percentage figure. In the four or five years from 2021, the net liquidity days figure has gone from 193 to 125. That is an indication of how sustainable the institutions are. The net cash flow figure has gone from 14 per cent to 5 per cent. Those are big reductions. I know that it is very technical, but they are an indication of the sustainability of the institutions.

We also know that there is huge variability. My constituency's University of St Andrews is hugely different from the university that I went to in Paisley, so there are huge variations. Does the minister accept that the figures are a symptom of the current crisis that we have in some institutions? Does he accept that the figures give us an understanding of why we are facing crises? Is that the issue, or is something else going on?

Graeme Dey: I touched earlier on the fact that we have to accept that a number of factors contribute to the challenges that universities face. The international student issue is hugely significant in that regard. It is as significant as your point about the level of public funding that is provided for universities.

We cannot have a situation in which a university is prospering and might be getting ahead of itself

with something like a big international student influx and expanding because it sees that as a permanent feature, then something comes along to change that. That might not be just migration policy: currency devaluations might have an impact. However, we cannot get away from the fact that the drop in the number of international students has probably been the biggest single factor in creating a challenge.

I am simply saying that, if I accept your point about funding, I hope that you accept my point about the income from international students and how a number of factors are at play.

Willie Rennie: I accept that the previous UK Government was not helpful in this area, although there was a massive 180-degree turn at the last minute. I accept that, and it had some real effects on institutions. The fact is, however, that Scottish institutions were forced to go down that route, in effect, because of the figures that I have just highlighted. I have sat here before and had a discussion with the cabinet secretary and her predecessor about overexposure not just to individual countries but to the globe, and the fact that we are dependent on that funding to cross-subsidise into teaching and research.

We should not get distracted by that. We need to focus on the fact that institutions are more vulnerable, and we have seen the effects of that with the universities in Dundee and Aberdeen, and there have been reports today about the University of the West of Scotland. Does the minister accept that the policy that has been pursued for the past decade is just not sustainable for the next decade? We will see a continuation of the liquidity and cash flow figures, and there will be some real consequences. Does the minister accept that that needs to be addressed?

Similar to the issue that Miles Briggs raised, there needs to be a more substantial and urgent debate, otherwise we are just going to drift into a greater crisis. Does the minister accept that?

Graeme Dey: There is a UK-wide issue with funding of universities. I think that a report on English universities came out this morning from the Institute for Fiscal Studies and it talks about underfunding—I think that that is the term that is used. A number is being quoted at the moment—I cannot guarantee its veracity—of 70 UK universities having to make staff cuts of between 10 and 15 per cent.

Do I think that all Governments would accept that the cost of delivering university education is higher than the funding that we are providing? I will sit here today and say yes—I do believe that. As I said earlier, we are having on-going discussions with the universities about what we

will do about that, and those discussions will ramp up.

However, Willie Rennie will also recognise that neither the cabinet secretary nor I is sitting here with a magic wand. We cannot resolve the issue overnight. We are engaging and will continue to engage with him to see what we can do, but I hope that Mr Rennie, along with many in this Parliament, recognises that free tuition is a central tenet of the offering in Scotland.

Willie Rennie: [*Inaudible.*—have particular problems with tuition fees, right? That is on the record, so I will not go into it. However, the problem is that, every time we get into this debate, that brick wall is put up, and it prevents any discussion about anything else. It is the barrier, and we need to get beyond it if we are to have a proper discussion about sustainability, or these institutions are going to go “Poot!”

Graeme Dey: I do not entirely disagree, Mr Rennie, but I say with respect that we are well into this evidence-taking session with the committee and I have not heard any member say to the cabinet secretary or me, “Actually, you’re spending too much money on other parts of education.” There is no such thing coming forward, and it is important to highlight that.

Willie Rennie: Let’s not do that.

Graeme Dey: I am simply making the point that we all want more money to be spent on every aspect of education. Of course we do—absolutely. However, there is a finite amount of money. I absolutely agree with you that a discussion needs to be had about what future financing would look like.

Willie Rennie: Excellent.

Okay. I will move on to the whole family wellbeing fund, is that money being spent?

Jenny Gilruth: You would come to me on that, Mr Rennie, but I should start by saying that my wife sits on The Promise Scotland board, so I am recused from any decision making on the Promise. I will bring in Andrew Watson at this point to talk to the detail, but I just wanted to note my recusal, convener.

Andrew Watson (Scottish Government): Yes, that money is being spent. However, you might be referring to some of the feedback that we have had from delivery partners about the funding and some of the evaluation that we have produced, which suggests that it is taking time to deliver some of the transformational change that the fund aspires to deliver.

You will see an upward trajectory in the spend year on year through the funding. For 2025-26, the budget allocates £50 million to the fund, and that

is based on what we assess can be spent next year on element 1—that is, the main proportion of the funding, which goes to children’s services planning partnerships—and on some smaller national funding components. The answer to your question is yes—the money is being spent.

It is a great programme that I think is delivering really good changes on the ground, but it is a long-term endeavour. That is why last year ministers published the Promise implementation plan, which sets out an updated timeline for the whole family wellbeing programme; it extends at least into 2026-27, after which it will be for a future Parliament to decide the future of the programme. We have set out a series of decision points over that period, with a succession of evaluations helping to guide future allocation decisions, based on what we are getting for the money and how much can be spent in the future.

Willie Rennie: Is the funding adding value, though? Is it over and above what is already happening, or is it just replacing previous cuts?

Andrew Watson: I would say that the overall impact of the fund is additional. The fund is designed to deliver transformational change, not to substitute core service provision. For example, in some authority areas, the funding is being used to integrate a number of existing services in order to deliver more holistic support to families. That would be an additional use of the funding.

It is fair to say that, in common with many areas of public service delivery, wider challenges exist across all the services that support families—health, local government, education and so on. There are pressures there, and the success of whole family wellbeing funding depends, too, on the success of those wider funding programmes.

Willie Rennie: Thank you very much.

I have one final question on early learning and childcare, and it is my usual question about the gap between the private, voluntary and independent sector and council nurseries. When will that gap be closed?

Jenny Gilruth: Forgive me, Mr Rennie, but are you talking about the gap in terms of pay?

Willie Rennie: I am talking about the gap in funding for institutions and the fact that there is discrimination, in that workers in council nurseries, who are doing exactly the same jobs as their colleagues in the private sector, are paid more.

Jenny Gilruth: We have provided an uplift in the budget to meet the needs of real living wage costs for private, voluntary and independent staff, and I think that that has been welcomed.

Willie Rennie: But that does not close the gap.

Jenny Gilruth: No, but it goes some way towards making progress. I recall that we discussed this issue this time last year, Mr Rennie, and I am sure that you will welcome the additional funding in the budget again this year to provide that uplift. The situation will continue to be a challenge, but we will work with the PVI sector on it.

More broadly, I am cognisant that we cannot deliver on aspirations for ELC without the PVI sector. We need to have a strong PVI sector to supplement additional delivery of ELC by local authorities across the country.

The additionality for pay has been welcomed. I recognise the challenge that the member has raised on a number of occasions with my colleague Ms Don-Innes in the chamber. I am happy to engage with him on that further if he has further views, but there is additionality in the budget to meet that budget ask.

Willie Rennie: There is one final thing. The previous First Minister, Humza Yousaf, promised to close the gap. Is that still the commitment?

Jenny Gilruth: I believe that it is our commitment to work to close that gap, so yes.

Willie Rennie: Thank you.

Clare Haughey (Rutherglen) (SNP): I will pick up on what Mr Adam said about leadership in schools and making sure that best practice is shared across the country. My experience in the Lanarkshires is that the promised implementation and utilisation of the whole family wellbeing fund has been evident—I have seen quite a bit of transformation. I would be keen to know from Mr Watson how we are ensuring that those successes are being replicated across the country.

Andrew Watson: That is a good point about sharing best practice. One of the features of the whole family wellbeing funding programme is that there is a lot of discretion locally as to how it is used, based on local need. The reason why much of the funding is directed through children's services planning partnerships is that they help to plan local services on the basis of a joint strategic needs assessment, which enables them to form a view about how best to invest not just the whole family wellbeing funding but other funding and services as well. There is that flexibility across the country.

However, one thing that we can do with the evaluation of the programme—we have had an evaluation of year 1 and we are doing an evaluation of year 2—is share the learning that we have taken from some of the initial projects. We have a strong network of leads from each of the different partnerships, and I meet them quarterly to

talk about their experience of delivering the funding and what they are getting through that.

The other point to mention is the programme for government's commitment to whole family support. The First Minister has been very clear that, as part of the response to the child poverty challenge and a number of other features of life at the moment, a greater focus on holistic whole family support is needed. The whole family wellbeing programme is part of that wider cross-Government piece of work, which has led us to engage closely with delivery partners across Scotland to ensure that we have the best possible information, good ideas and creativity around local solutions that will meet the needs in those communities.

Clare Haughey: That is very helpful. My questions are intended to fall under the responsibility of the Minister for Children, Young People and the Promise. There might be specific issues on which the cabinet secretary would want to write to the committee, for clarification. I hope that she is happy for me to pose these questions to her.

I note that the creating positive futures budget includes a 66.7 per cent increase in funding for play park renewals through capital grants. What impact will that have on the manifesto commitment to renew play parks across Scotland?

Jenny Gilruth: The budget provides an additional £10 million to complement the capital amount of £25 million in 2025-26 for the commitment that the member spoke of. As I understand it, that funding is coming to an end and that is the last tranche of it—it has been tapered off. It relates to the 2020-21 PFG commitment to invest £60 million to renew play parks across the country. Mr Rennie or Mr Watson might want to say more on that, but my understanding is that that funding has been tapered off in line with our approach to it, which is why it has seen a reduction this financial year.

Clare Haughey: According to the Scottish Parliament information centre paper, it is an increase.

Jenny Gilruth: I understand that it also relates to the autumn budget revision comparisons, which, as the committee will know, have somewhat skewed some of the numbers in the education data that you are seeing.

Clare Haughey: So, this will complete that manifesto commitment.

Jenny Gilruth: It will complete the manifesto commitment, as far as I understand it, and the commitment that we made in 2020-21 to invest £60 million for play park renewal. This is the end of it.

Clare Haughey: To go back to ELC, birth rates in Scotland are declining, and that is reflected in the number of children—the overall numbers, as opposed to percentages—who are registering with ELC. I am, therefore, interested in hearing how the Government is planning for the reduction in the number of children who will access the 1,140 hours and whether any thought has been given to flexing the budget to expand the offer.

11:00

Jenny Gilruth: The member raises an important point. We also have aspirations around two-year-olds, with which the member will be familiar. It is worth pointing out—I do not know whether the committee has looked at this in detail—that uptake of the provision for two-year-olds varies, so Ms Don-Innes is working closely with local authorities and COSLA to drive uptake for eligible two-year-olds.

The member is right to say that the birth rate is falling and that that will have implications not just for ELC but for schools. We have done some forecasting work in that regard to look at teacher numbers and the future needs of the sector. I am mindful, however, that, in relation to ASN, there is a requirement—particularly post-pandemic, as we have heard—for additionality in the system, so we are thinking about ways in which we can work better with COSLA specifically on workforce matters.

In my opening comments, I made a point about the establishment of the education assurance board, which has been key to the agreement that we have reached with COSLA on teacher numbers and on funding for ASN. In my view, that work with COSLA would sit somewhere in the workforce planning stream, which is about not just the ELC workforce but the teaching workforce and ensuring that we have a workforce that is fit for the future and meets the needs of the sector.

Andrew Watson may want say more on the specifics of ELC. I think that the education assurance board gives us a better opportunity to work hand in glove with COSLA—let us not forget that councils employ most, if not all, of our ELC staff—in order to ensure that we have an education system in ELC and in teaching that meets the needs of our pupils and our younger children.

Andrew Watson: I will add a couple of quick points. Ms Haughey is correct in saying that there are demographic changes. Uptake is very high—the uptake of places for three and four-year-olds is at 95 per cent. The cabinet secretary mentioned that the uptake of places for two-year-olds is a key priority for us, and that uptake has increased to

around 59 per cent of the current eligible population.

One of the key tasks for the Government in the future will be to evaluate the impact of the expansion of the 1,140 hours. That piece of work is under way just now and is due to report next year. That should give all of us—the Parliament, the Government and the education assurance board—some helpful information about what we have achieved with the programme and what the next steps might be, taking into account a range of factors including the demographics, the quality of the provision, the needs of the economy, the needs of parents and carers, and so on.

With regard to a plan for the future, that evaluation will be key, and the results will be available to Parliament in due course.

Jenny Gilruth: I should also have mentioned the early adopter communities, which will help to inform some of the evaluation that Andrew Watson just spoke about. Those communities are giving us data on what works and are helping us to inform what comes next, and the delivery approaches that they have been taking are already showing signs of real progress.

Clare Haughey: Thank you. That is helpful. I will certainly look out for that report.

My final question is on historical adoption. I am sure the cabinet secretary is well aware of my interest in that area. I could not see in the budget papers—it may be that I have just not seen it—a budget line for that particular issue and the on-going work to support those who are affected by historical adoption practices. Perhaps the cabinet secretary or the minister responsible could write to the committee on that issue and give an update on the work that is being done.

Jenny Gilruth: I am happy to do so, as I do not have an answer for the member today.

I do not know whether Andrew Watson wants to respond to that. I see that he is shaking his head. I will seek clarity from officials on that point, because I recognise the member's interest in the issue and it is important that we give the committee clarity on that.

Ross Greer (West Scotland) (Green): Good morning. In the first instance, I return to Willie Rennie's question about international students and university finance. I presume that the Scottish Government would agree that it is an unacceptable risk for any individual institution to be existentially dependent on tuition fees from students from one particular country, but that is currently the case, as a couple of institutions are dependent on international students from China in particular.

Whether it be through supporting individual institutions to diversify income streams or a wider reform of student funding and funding of universities, has the Government set itself an objective of supporting the university sector to ensure that, in three or five years from now, say, or on whatever timescale is set, no institution in Scotland will be financially existentially dependent on international students from any particular country?

Graeme Dey: In terms of how you have presented it, no. However, I said earlier that we are working very closely in partnership with the university sector on our international promotion. In fact, in answer to an earlier question, I said that I had engaged with south-east Asian countries to try to bring more of their students here in order to de-risk the current model. I do recognise the point that Mr Greer makes. We are not, as I think he has tried to suggest, saying to individual universities, “You need to reduce your reliance on particular markets in the next five to 10 years.” We are working closely with the sector in the international student space, and one of our objectives is to de-risk a situation that the committee—particularly Willie Rennie—has discussed on previous occasions.

Ross Greer: I accept that there is an element of tension—after all, universities, unlike colleges, are independent institutions—but can you confirm that it is the Scottish Government’s view that it is an unacceptable level of risk for an institution to be existentially dependent on tuition fees from students from any particular nation?

Graeme Dey: I would not use the word “unacceptable”, but I might use the word “unwise”, given what we have seen at some institutions, where an overdependence on a particular market—in that case, west Africa—has created difficulties. Self-evidently it is not the wisest position for a university to find itself in.

Ross Greer: Turning to colleges, I note that, in your letter to the committee a couple of weeks ago, you referred to colleges diversifying their income streams and increasing the income and revenue that they get outwith the SFC grant. I think that that is entirely legitimate and sensible. Indeed, in my region, Ayrshire College and NHS Ayrshire and Arran have a fantastic partnership, with a lot of the training needs for the local health service delivered through the college. That sort of thing could be expanded nationally. Can you outline the Scottish Government’s aspirations for the sector?

I think that that also points to the wider feedback that we have been getting for years from the college sector that it wants much more direction from Government, as this is an area where more direction would be helpful. Does the Government

have an objective in that respect, whether it be cash-terms targets or a percentage of overall revenue? What exactly are you aiming for colleges to achieve in terms of income generation beyond the SFC grant?

Graeme Dey: I do not think that we have a target in mind, but I note that the income that the college sector has garnered from commercial sources has pretty much flatlined at £192 million for a number of years now. Given that some colleges are doing quite well in that space, that raises some questions.

A number of colleges have spoken to us about this, saying that, although they want to expand their commercial offering, they simply do not have the capacity to do so. Therefore, we are actively working with a number of colleges on the matter and there is a dialogue going on about how we can assist them in growing the opportunities that exist.

As for your point about engagement with NHS boards, the example that you gave is a very good one. Indeed, I could point to West Lothian College and NHS Lothian, where some really good work is going on. It is not so much that the Government has been pushing colleges to do that sort of thing; it is more about the sharing of best practice and understanding what works well in localities and what can be taken elsewhere.

Through the tripartite group, we have been taking a direct look at the good practice that exists in developing commercial opportunities, in upskilling and reskilling and in providing specific courses for the public or private sectors, and how we go about putting that in place. Out of that has come an understanding on our part that colleges will need a little bit of support in that regard. Something that is being discussed at the moment—I make it clear that this is in its very initial stage and might not come to anything—is whether we can support the creation of a national colleges hub that would bring in all of that best practice and that colleges could tap into to grow their commercial income in order, as a result, to become less dependent on public sources.

Given the state of public finances over recent years, it would be wise to develop that without in any way diminishing the existing offering. There is a lot of work going on, and I would be happy to write to the committee in due course as we put some more meat on the bones of that.

Ross Greer: That would be really helpful. This might be something for the letter, but can you confirm whether there is a timescale attached to that hub? I think that it is exactly what is required.

Graeme Dey: There is a fair degree of urgency around developing that commercial office, and it would be wise to move on with that as quickly as

we can. We are meeting a number of colleges this month to discuss some proposals that are specific to each college's needs. We have been having a conversation with colleges in their entirety about whether they perceive that there are still impediments to rebalancing their offering in their localities to better meet the needs of the economy. If there are, we have asked them what they are and what we can do to help. That work has been driven by the SFC.

I go back to the point about flexibility. There are some developing conversations about what we can do to support individual institutions and empower their principals to get on and better align their offering to the needs of the area in which they operate.

Ross Greer: I will stick with colleges and go back to the capital budget—I apologise that I cannot remember who asked questions about it earlier. I understand the Government's position that, if you take out the Dunfermline learning campus, there is a small real-terms increase. That is not an illegitimate way to present it, but do you acknowledge that the reality is that the maintenance backlog for the college estate far outstrips what can be delivered through the current capital allocation? I completely understand that you cannot allocate money that you do not have, but do you understand why there is so much frustration in the sector about how big the gap is between what is being allocated and the current backlog?

Graeme Dey: It is important to make it clear that the moneys that we are talking about for the Dunfermline learning campus in last year's budget were additional—they were brought into the budget to support that project. However, I recognise your point about the concerns of individual institutions about their maintenance backlog. As you are aware, Mr Greer, the SFC has been doing a piece of work on mapping the situation across the whole country. We are in no way unalive—if that is the right word—to the problem. That is reflected in the work that we have done around asset disposal, which you will be aware of, to support institutions that have buildings that they are not currently using or do not need in the long term to dispose of them and to retain the bulk of the moneys for the purpose of improving their estate. That work has already been taken forward.

In anticipation of the report from the SFC—which will come in a few months, I suspect—and in conjunction with the Scottish Futures Trust, we have been looking at whether there are any innovative funding models to support the process. I realise that that is not about day-to-day maintenance, which we touched on earlier, but we are very much alive to the fact that there will have

to be a response to the report, and we are looking into it. I cannot sit here today and say that we have found innovative solutions, but that work is on-going.

Ross Greer: I have one final question—

The Convener: Mr Greer, I have a question while we are still on capital for colleges.

Minister, do you believe that colleges have enough money to deal with the reinforced autoclaved aerated concrete situation in their buildings?

Graeme Dey: As you know, we have been mapping the scale of the issue with RAAC across the Scottish public sector, and the Scottish Government is not in a position to provide funds to address the issue across the public sector. You will remember that the previous UK Government had, at one point, indicated that it would rise to the challenge and provide the funding, but the funding never came. As a Government, we are not in a position to assist, and not just in relation to colleges.

The Convener: Following on from Mr Greer's point, before RAAC became as big an issue as it is now, colleges were facing considerable challenges with deteriorating buildings. In its submission to the committee, Colleges Scotland said that the "situation demands immediate attention". What reassurance can you give to the colleges that have outstanding work, including RAAC remediation work, to be done and, I hope, development work to be done to improve their campuses that they will see the urgent action that they are hoping for from the Scottish Government, with the assistance of other funding partners, whether the UK Government or others?

Graeme Dey: I hope that what I said a few moments ago to Mr Greer indicates that we are on the case with that. Equally, I will not sit here today and say that we will be able to step in and assist colleges that have urgent RAAC issues, because we are not in a position to do that.

11:15

The Convener: Speaking personally, I know that it is a big issue in Moray College and that the principal has had to move his office to the library. There are issues in all colleges right across the country, and they will look with interest to those innovative sources of funding, if that is an opportunity to help.

Graeme Dey: I am saying that we are exploring those sources; I am not saying that we have found them.

The Convener: Yes.

Sorry about that, Mr Greer.

Ross Greer: I have one question for the cabinet secretary on the learning estate investment programme but, before that, I will finish off on college capital funding. The college capital allocation for the current financial year—not what is in the draft budget—reflects the 20 per cent cut that came down from the previous UK Government. That cut is now largely being reversed. In other areas in the draft budget for 2025-26, there is significant relief, restoration of funding and so on.

Not unreasonably, colleges expected to get part of that and to get their fair share of that relief for the capital budget, but that is not what has been allocated. Setting aside the money for the Dunfermline campus, the college capital budget is essentially flat—there is a very small real-terms increase. Why have colleges not benefited from that relief for the capital allocation when many other areas of the Government budget have?

Graeme Dey: Do you mean broadly across the Government?

Ross Greer: Yes.

Graeme Dey: We have to strike a balance in the budget. There are a lot of competing demands, in education and more widely. I do not mean to be flippant but, if you have a proposal that involves putting more money into capital for colleges, you are perfectly at liberty to bring that forward in the context of the budget.

Ross Greer: I have made proposals to increase taxes, as members will be aware. I have made a number of such proposals to the Cabinet Secretary for Finance and Local Government, some of which have been taken forward. Actually, one of them was approved by the Finance and Public Administration Committee yesterday.

My final point is also on capital, but it is on the learning estate investment programme and is for the cabinet secretary. You will be aware of the situation in East Dunbartonshire, where we have five schools that are rated C for their condition, which is poor. One of those schools, Lenzie academy, has LEIP funding, which is great, but we have a real challenge with four primary schools in East Dunbartonshire and particularly Milngavie primary. Because of the urgency of the situation at Milngavie primary and the condition of the buildings, the council has allocated its entire capital budget to its refurbishment. That incurs a risk, because there is massive year-on-year uncertainty on the capital allocation to councils, just as there is on the Scottish Government's annual allocations from the UK Government. That situation has a massive impact on the full rebuilds that are required at Balmuildy primary and Westerton primary and the refurbishment of Bearsden primary.

Is there any scope to bring more schools into the LEIP by increasing the overall allocation to the investment programme? Alternatively, could there be a direct funding allocation outwith the LEIP to school buildings, given the urgency of the deterioration in condition? Given the local context, is there a way to recognise that? I realise that that is a parochial point, but it is quite an urgent situation, and the council is now carrying a massive level of risk due to circumstances that are outwith its control.

Jenny Gilruth: Mr Greer and I have had an exchange on that issue in the chamber, and I think that I have agreed to visit the said primary school with him.

Ross Greer: We do not have a date at the moment.

Jenny Gilruth: Well, I look forward to it. I am more than happy to engage with him and the local authority directly on the issue.

For context, it is worth while reflecting that the LEIP has transformed the quality of Scotland's school estate. I am sure that members have all heard the statistics but, when our party came into office, about 62 per cent of schools were in good or satisfactory condition and today the figure is 91.7 per cent. That additionality from the Scottish Government has transformed the quality of Scotland's school estate. However, I do not want to detract from the local challenges that Mr Greer cites, and I am more than happy to engage with him and the local authority, which, of course, owns those schools.

The LEIP funding is a partnership approach between the Scottish Government and local authorities, and it relies on local authorities telling us where they want the investment to go. I am more than happy to engage with Mr Greer and the local authority on that, but the decision making on where the additionality should go is a matter for the local authority. I very much look forward to our visit in the coming weeks and to engaging with the local authority on that point.

Ross Greer: The local authority has written to the Scottish Government. I apologise, but I cannot remember whether the letter was directed to you or to the Cabinet Secretary for Finance and Local Government.

Jenny Gilruth: I have not seen it.

Ross Greer: The local authority is asking for additional capital allocation because of the unique circumstances. There were plans for the refurbishment programme to be managed over a number of years but, because of last year's significant cut to the capital budget and the delays that that created, we have a really urgent situation with the condition at Milngavie primary, which is

having a knock-on effect. The children of four schools in the area are now impacted. Milngavie primary kids will be decanted to other schools while the refurbishment takes place. I think that there is a lot of financial risk and uncertainty underpinning that. There is also a knock-on impact, in that there is a delay to the full rebuilds of Westerton primary and Balmuildy primary, and Bearsden primary will not be refurbished to the extent that was originally envisaged.

Is there any scope for allocation of funding for school buildings outwith the LEIP?

Jenny Gilruth: Forgive me, Mr Greer, but that would have to be from outwith my budget. There is no additionality in my budget to provide what you have asked for. I have not had sight of the correspondence that you cited, so I will speak to officials to find out where that might be. I am more than happy to engage with the local authority. This is a very specific issue in regard to one local authority. You will understand that I cannot today announce additional funding that, bluntly, I do not have in the draft budget, but I will listen to the ask.

I recognise the challenges that local authorities have faced on capital, and particularly what happened to our capital allocation last year, which had a detrimental impact on the progress of a number of projects across the country, including the one that Mr Greer has cited. I am more than happy to engage with him and that local authority on how we can support it. I will get sight of that correspondence following this meeting and see what more we might be able to do in that space.

From my budget line, I do not think that there is additionality for LEIP. I think that there is a committed budget line for LEIP of £17 million for a number of projects.

Neil Rennick: It is £17 million additionally to, or on top of, the existing funding for LEIP. That is the extra for the already agreed phases.

Jenny Gilruth: There is significant funding in the budget, but I am happy to engage with Mr Greer on the specifics of the local issue that he has raised.

Ross Greer: Thank you.

John Mason (Glasgow Shettleston) (Ind): I am the last member to ask a question before we get to the Dundee folk, and I will touch on one or two issues. You said that you, or one of your colleagues, wrote to the UK Government on 21 November about the national insurance changes. What happens if you do not get an answer, which would in effect mean that there is no extra money?

Jenny Gilruth: I fully expect that, in this new era of co-operation between the Scottish Government and the UK Government, an answer will be forthcoming. I am sure that there is just a

slight delay due to the Christmas recess, and I expect that the response will flow to me and my office very soon.

John Mason: It is a slight delay of a month and a half so far. Will there not have to come a time when you say, "This is the budget for A, B, C and D"? It might not be you who does that—it will be Shona Robison.

Jenny Gilruth: The member makes a good point. Obviously, this is not just an issue for education. The national insurance contributions issue affects a number of portfolio areas, and the member is right that Ms Robison is leading on that as finance secretary, although there are specific implications for education. As I alluded to in my response to Ms Dunbar at the start of the evidence session, we do not yet have the granular detail on how the changes will interact with public services. We therefore need to understand how the UK Government will implement those changes, and we need to forecast how much that will cost the areas for which I am responsible.

That job will be undertaken across Government, and the engagement is being led by Ms Robison. Should I receive a response—of course, I fully expect to do so—I am more than happy to share a copy of that with the committee for its interest.

John Mason: Okay. I will not pursue that further just now.

We have talked about colleges quite a lot, but I do not think that we have mentioned support staff. There was quite a dispute over the lecturers, which I think has been resolved, which is great. However, it has been suggested that support staff will also need a pay settlement. Can you say anything on that? Is there enough in the budget for it?

Graeme Dey: I cannot say anything on it, because the Government is not directly involved in that. In the college sector, a three-year deal was agreed with support staff and, thereafter, a four-year deal was reached with the lecturers, the conclusion of which the Government supported. It will be up to the unions and the college employers to get together in due course this year to look at a pay settlement for the support staff in the context of 2025. That has not been raised directly with us in terms of Government participation. As I say, it is for the employers and the unions to negotiate a deal.

John Mason: That was the case with the lecturers, but the Government put in some extra money—it was £4.5 million, I think—to resolve that. Would the Government do the same for the support staff?

Graeme Dey: We have not had an approach to that end. In the context of the lecturers' dispute,

there was significant movement, particularly on the part of the trade union, to try to bring an end to the dispute. As you alluded to, there was a small gap of £4.5 million between what the colleges felt that they could afford and what the union would settle for. The Government stepped in and supported that. We will of course always engage with employers if they come to us with requests. I cannot say today that we would be able to meet any request, not least because we have had no approach.

John Mason: We have talked quite a lot about college and university funding. One of the colleges' arguments is that they get so much less per student than universities do. Of course, it will vary within courses, as some courses will be more expensive than others. I am not asking for more money for colleges and universities but, as a general point, is the way in which we are sharing the money out fair, and is it the best way?

One aspect of that is the difference between colleges and universities, but I wonder, too, whether universities should not be means tested in some way. The University of Glasgow and the University of Edinburgh are sitting on huge reserves. Although the University of Dundee has problems, the last accounts for it that I looked at show £160 million of unrestricted reserves, which is huge compared with, say, Glasgow Caledonian University or some of the colleges in Glasgow. I wonder whether we have the balance right as to who we are supporting.

Graeme Dey: As I have said on a couple of occasions during the session, I have detailed discussions with individual institutions in many instances. In the university sector, there are individual universities that will feel that they should receive different treatment from some of their colleagues. In the college sector, there are anomalies in how funding is delivered, and not just in the context of rural settings; there are interesting anomalies in central Scotland around the premise of the funding for certain colleges. The SFC has been looking at the whole picture of funding.

I go back to your mention of a couple of universities in particular. We have heard the point raised in committee previously about the reserves of some of those institutions. We need to remind ourselves that those are massive institutions and that the reserves that they are sitting on are there for a purpose—they have a multimillion-pound project to deliver. At any point, you can take a snapshot and say that university X has a great deal of reserves and that we should do something to reflect that, but you need to look at the overall picture.

The point about fairness of funding is a good one. I was a member of the education committee

some time ago. We produced a report in which we acknowledged that, when colleges were performing the first part of degree education—towards a higher national certificate or a higher national diploma—for the first two years leading to university, it seemed unfair that they were funded at one level when, if a student went straight into university, the university was funded at a different level. Having signed up to that report—Mr Rennie is smiling there to remind me—I recognise that there is an unfairness that, over time, will need to be addressed.

You will also recognise that, as we carry out an exercise to consider funding—as you said, not necessarily with more money but in relation to how it is distributed—there will be winners and losers. I am sure that the losers will be deeply unhappy about it, but I assure them that the SFC is looking at the matter.

John Mason: Colleges are also in the public sector now, as has been mentioned. Does that mean that there will be no compulsory redundancies at colleges?

Graeme Dey: We have been very clear that compulsory redundancies should be a last resort and that everything else should be exhausted first. The agreement between the lecturers' union and the employers is predicated on that position, which I have articulated many times to the colleges. Although they are not covered by a no compulsory redundancy policy, we encourage colleges to avoid them at all costs.

John Mason: I will move on to schools. I find quite stunning the current figure that 40 per cent of children have additional support needs. I assume that there is quite a range, from some with really extreme needs to some with relatively minor needs. Is there a danger that, when we say 40 per cent, those children with greater needs get missed out because we are trying to cover all the 40 per cent?

Jenny Gilruth: The member raises a really important point. It is a broad measure but there are different levels of need in that subset. It is quite a broad measure for good reason: in the past, a number of young people would have completed their school education without ever having the additional support to which they were entitled. It is a good thing that more young people are having their needs met or an identified support need acknowledged and supported in school.

However, the member is right to say that that broad measure perhaps does not tell us the true story. Within that subset, there will be a variance in need. It is important to recognise that the measure covers a variety of different things. For example, gifted children are covered under the ASN measure. We need to be mindful of that

when talking about high-tariff young people who might need complex additional support in their school education.

11:30

John Mason: I have one final area that I want to touch on. The Finance and Public Administration Committee has been focusing on public sector reform, and I think that Ivan McKee is leading on that.

Do you have any thoughts about public sector reform in the education sector? Given that we cannot change the pupil to teacher ratio and so on, is reform more difficult in the education sector? Is there scope to bring in artificial intelligence or that kind of thing, so that one teacher can help more kids?

Jenny Gilruth: I do not know whether Mr Dey agrees, but I think that we are ahead of the game on public sector reform. We are already leading programmes of reform across my areas of responsibility, and Mr Dey is introducing legislation later this year. We are already moving forward with reform, which will include looking at our agencies and senior phase qualifications, and, in his bill, Mr Dey will be looking at funding. We are already taking forward a range of measures on public sector reform, and I have engaged with Mr McKee on how to drive better value for money while improving outcomes for our children and young people, which is what reform in the education space has to be about.

One of the changes that I implemented last year was to join up our reform agenda in school education with Mr Dey's post-school education work. The group that I chair is now looking at both areas, and working across both of our areas of responsibility, Mr Dey and I are pulling together partners in order to take a more holistic approach to reform and to make sure that it is fit for purpose.

The Convener: The finance secretary stated that the HE budget will rise by 3.5 per cent. However, some sector organisations have pointed out that that is only possible if the student places that were added during the Covid era are removed from the system but the funds attached to those places, worth £14.5 million, remain.

Is that correct? Is that how you get a 3.5 per cent rise in the HE budget, Mr Dey?

Graeme Dey: It is part of how we arrive at 3.5 per cent. I should point out that the sector requested that we do that.

The Convener: You say that it is part of how you get 3.5 per cent. Can you explain that a bit further?

Graeme Dey: To put it simply, the funds that are generated by that amount remaining in the centre, coupled with another uplift that the Government has delivered, delivers 3.5 per cent in total.

The Convener: If those student places that were added during the Covid era were not there, that would not be a 3.5 per cent increase in HE. Is that correct?

Graeme Dey: But it is—

The Convener: If that did not happen—if you took out the Covid section of the funding—there would not be a 3.5 per cent increase. That is the only point that we are trying to make, because it has been pointed out by some sector organisations.

Graeme Dey: Yes and no, because the sector asked us directly to do that. It will be for the SFC and the sector to discuss how the money will be utilised, but we expect that it will be used in the context of the teaching grant. Bear in mind that, if those places were not filled, they would have been subject to clawback and the money would have come out. The money is being effectively guaranteed for the sector.

Jenny Gilruth: We met with the sector in late November, ahead of the budget, to hear from it, and that was a direct ask from it, and that has been publicised in the press.

That has come from the sector, and we have responded. It is not just the places, because additionality has been provided to reach that 3.5 per cent number.

Neil Rennick: It is important to say that it is not a reduction in places. Those were additional places that were put in due to the specific circumstances of Covid, which have come to an end, and that has released that resource.

The Convener: Thank you. That is helpful to the committee.

As has been alluded to, we have three non-committee members with us today. Ms Chapman wrote to the committee at the tail end of last year to raise concerns about the University of Dundee, and the committee responded to say that there would be an opportunity to look into those issues because the minister and the cabinet secretary would be coming today. Those letters were published on our web page, and a number of north-east members asked whether they could raise questions, which I am happy to facilitate. As Maggie Chapman wrote the letter, we will start with her.

Maggie Chapman (North East Scotland) (Green): Thank you, convener. I am grateful to you and the committee for giving me a moment to

speak and ask some questions. I also thank the minister, because we have had conversations about the matter in response to letters.

Just before Christmas, I attended the town hall meeting that took place at the University of Dundee, which more than 1,000 staff members participated in, either in person or online. The strength of feeling—the anger, hurt, upset, frustration and fear—was palpable. Morale is very low, with staff members saying things such as, “I feel like I cannot breathe any more”. They do not know what their future holds in light of the news of the £30 million deficit on the back of what everybody, including some court members, thought was years of modest surpluses. There has been a vote of no confidence in the university executive group and there is an open ballot for strike action.

All of that presents a concerning picture and the financial situation is kind of the backdrop to it, while many take the view that it is a consequence of poor governance, management and decision making. I appreciate that this is a budget scrutiny session. My questions come from that financial context, but they also speak to the bigger, knottier questions about governance and management. The university relies on public money, and we have a responsibility to ensure that that money is being used effectively and that management decisions are not jeopardising the functioning of the institution. If they are, there is a role for us.

Much has been said about institutional autonomy and independence, which is right and good. However, the existence of the institution has potentially been undermined and senior management have said to staff members that the university might not exist in two years’ time. There have been those kinds of threats, and trade union members at the university have said that it is the university executive group that is now threatening the institution’s autonomy and existence.

Given all of that, there are some key issues for us. I know that other members also want to ask about some of the specifics. My first point is on fair work. There has been no direct trade union engagement in any of the discussions that the university executive group has had about recovery. There is no trade union member on the task force that has been set up in conjunction with the SFC to work through and develop the recovery plan. The trade unions have repeatedly asked for financial information, but the limited information that they have received has been incomplete and late, and it has not allowed them to take information back to their members to consult, so they have not been able to have proper discussions. The trade unions think—and I share their view—that the university management is not complying with fair work principles. The words

“compulsory redundancies” have been used by management, but no process has been put in place. As soon as that was indicated, there should have been a process of discussion with the trade unions, but that is not happening.

My other key area of concern is, as I said, about governance. Significant decisions have been taken that have led to where we think the deficit has come from. It is quite clear from the limited financial information that has been disclosed that the deficit is not about staff costs—it comes from elsewhere. The university recently procured information technology and software systems to help with admissions, but there was no proof of those systems working in any other institution. Staff were asked to work over Christmas to contact students and give them offers for the January intake because the IT systems failed. The unions can find very little risk analysis on international students and international student infrastructure—not so much the students and the fees associated with them, but the funding that is spent on international student infrastructure—and no mitigation measures for a situation where that infrastructure is not used because of falling international student numbers.

Those issues all speak to really poor governance and risk management decision making and the Scottish Government and the committee should be concerned about that. I am interested in hearing the minister’s and the cabinet secretary’s views, particularly on governance and fair work.

I am sorry—there was a lot in that.

Graeme Dey: I hope that I can remember all of that. I understand entirely how deeply unsettling and worrying a time this is for the staff, particularly given the way in which the situation just crept up on them. I have heard the suggestion that small surpluses and then perhaps small losses were being anticipated, but nothing on that scale. I hope that Maggie Chapman will appreciate that, in my position as minister, I am not going to engage in speculation about how the situation has arisen. We need to allow the institution a little time—not for much longer, but it is working through this—to bottom out how it got to the situation and, of course, to develop an appropriate and robust recovery plan.

Since the institution announced its financial challenges, the SFC has been actively engaged with it. I also spoke to the chair of court on the evening when the principal stepped down. My offer was that whatever help or assistance the university required from the SFC would be provided, and the SFC has been actively involved with the university ever since in two ways—to assist the process of bottoming out what

happened, and then to scrutinise the recovery plan.

Maggie Chapman's points about fair work were well made. I am sure that the SFC is watching this meeting and, if it is not alive to those points, I will ensure that it is. The trade unions should be engaged in the development of the recovery plan. If compulsory redundancies have been mooted without the appropriate processes having been put in place, I will ask the SFC to look at that.

In the context of providing answers for the staff and others, including the members of the Scottish Parliament who are in this room, I note that I am in no way trying to make excuses, but a new interim finance director is in place and the university is working through getting to the bottom of how the situation occurred and developing a robust plan. Although those questions might be perfectly legitimate and understandable, it might not be appropriate for the university to provide partial answers at this stage. However, I expect that, when it has gone through the process, it will provide answers to the staff and others.

On the point about governance, as Maggie Chapman said, universities are stand-alone institutions but they receive public money. A proportion of the University of Dundee's income comes from public funds. As the cabinet secretary alluded to earlier, as part of the work that we have been doing on the forthcoming legislation, we have been exploring the governance and oversight powers that sit with the SFC for colleges and universities. To be honest, that work has probably leaned more towards colleges because, as I embarked on a programme of empowering principals in the college sector, I wanted to ensure that there was appropriate oversight at the local and national levels to give ministers confidence about the use of public funds.

If anything comes out of the work that is under way at the University of Dundee to ascertain how it got into this situation, and if—I stress that—some of the concerns that Maggie Chapman has identified turn out to be justified, we will look at the context of the forthcoming legislation as it goes through Parliament to see whether any measures might need to be put into the bill to give the SFC powers of oversight and intervention. If that is necessary, I am happy to commit today to working with individual members and the committee on that goal. However, I stress that, while I recognise how completely unsettling what has happened at the University of Dundee has been, we need to allow it a bit of time to provide the facts on how it arose. From that, we will look at the development of its recovery plan and reflect on how it got into the situation.

The SFC's next meeting with senior management will be tomorrow. I will make sure

that it is sighted on the points that have been made about fair work and other things in advance so that it can raise them with the management.

Maggie Chapman: Can I come back in on that briefly, convener?

The Convener: Yes.

Maggie Chapman: I appreciate the minister's comments and I am grateful for his assurance that he will raise those issues with the SFC if it is not already aware of them. There are still some concerns and, given the overwhelming vote of no confidence not in one person but in the whole university executive group, staff and students have no trust that the executive group that burned the place down will build it up again. It might not have burned the place down entirely, but those words were used by a member of staff.

11:45

It is important to have some assurances that there will be not just genuine engagement and consultation with trade union representatives, but inclusion of them. They have never been in the room and they have never been able to be part of any of the decisions that led us to this point. There has been a lack of transparency in decision making and finances, and not just in the past six months. The University of Dundee has faced difficulties before; this is not the first time that it has happened. The concern is that successive bad decisions have been made over several years and nothing has changed.

I take on board what the minister says about the SFC working with the university and the on-going work on what powers might be necessary if something comes out of the situation. Let us not use the university as a test case of failure. Let us step in sooner rather than later to ensure that we get it right. The university is not just a university. It trains the doctors, nurses, social workers and teachers that Dundee and the Tayside region rely on. It has been called the beating heart of the city. It is not just a stand-alone independent institution. It feeds into every aspect of city life.

Graeme Dey: I absolutely take on board the point about the involvement of the trade unions and engagement with their reps being more than lip service. We expect the trade unions to be actively involved in the recovery process and I will reinforce that with the SFC.

On your point about winning back trust, it is perfectly understandable, given what has happened, that the staff lack trust and have the concerns that they have. I cannot sit here and say that the Government has a role in rebuilding, but the role of the SFC here is important. It is not just about providing assistance; it is also about

oversight. If the SFC identifies issues that cause it concern, it will be a matter for it to address them using its existing powers. However, we cannot always fix things retrospectively so, if there are lessons to take from the situation in the context of the wider sector—the whole of HE and FE—we will take them. I give you that undertaking.

I am happy to work with the committee and other members if lessons come out of the situation and something needs to be done regarding governance or the use of existing powers, more powers or the power of intervention. To be fair to the SFC, until we become aware of a problem, it is difficult to know what we would be intervening on. Please accept my assurance that we are all over this.

Maurice Golden (North East Scotland) (Con):

On your final point regarding intervention, are you comfortable with the level of oversight that the Scottish Funding Council has in relation to our university institutions?

Graeme Dey: It is difficult for me to answer that question without potentially being misconstrued or misrepresented. Let us be clear that I am not talking about one particular institution or one instance. As minister, I would want to be satisfied, as the cabinet secretary would, that where public funds are being utilised by institutions, they are being deployed appropriately. As for where concerns are being brought forward, one of the areas that I have been exploring in the context of the forthcoming legislation is the need to ensure that there are mechanisms in place in FE and HE to ensure that, where trade unions or other groups have legitimate concerns about activities in institutions, they can be looked into and responded to.

There needs to be a balance here. As we know, industrial relations in some sectors are very poor, and there is a risk that there may be an endless stream of complaints. On the other hand, we need to ensure that, when legitimate concerns are raised, the SFC is in a position to respond, to investigate them and to act. One of the drivers for me in looking at the proposed legislation is that I am not entirely convinced that its powers of intervention are as strong as they need to be. I may be proved wrong, but that has certainly been a driver. I am keen to take the opportunity through the legislation, which the committee will be involved in looking at, to ensure that the most robust set of powers is available to our regulators so that all of us as parliamentarians can be satisfied that public money is being used appropriately.

Maurice Golden: I am concerned that the situation at Dundee university could be the tip of the iceberg and that our university sector could be in a financial bubble. I welcome your comments,

Mr Dey, but, in principle, in order to mitigate that scenario, would the Scottish Government provide a bailout for individual institutions? If it did, what would be the criteria?

Graeme Dey: Do you mean in a broad sense?

Maurice Golden: Yes—in general.

Graeme Dey: I said earlier that the SFC is able to assist institutions up to a point. When we are talking about universities, two things are at play, and one of them has not been picked up on.

First of all, there is the financial aspect: if multiple institutions were asking for bail-outs—as you have termed it—the Government would not be in a position to do that. The second thing for universities is their Office for National Statistics classification. We would have to be very careful about how we assisted them—we will call it assistance—so that it did not jeopardise their ONS classification. A bit of care needs to be exercised there.

On your underlying point about whether there is a wider problem, and whether what has happened at Dundee—not that we know what the exact circumstances are—is something that has happened elsewhere, I strongly suspect that, when the news broke, chairs of courts in other institutions said to their vice-chancellors, “Can we get assurance from our finance directors that we have nothing like that lurking?” Inevitably, that will have happened. The SFC’s conversations with Universities Scotland about the situation are ongoing. It is a good point, and we want to be satisfied that whatever has happened at Dundee is not symptomatic of a problem in the sector.

As you are aware, other universities have taken proactive steps when they have got themselves into difficulty, particularly in relation to an overexposure to international students. They have sometimes taken painful steps to act. That gives me a degree of reassurance that, by and large, the universities are on the case. We will wait to see what comes out about Dundee.

Maurice Golden: I have a final question. I do not think that it is helpful to vilify individuals or to look at the report before it is published. However, I am interested in the aspect that, in the post-Covid landscape, the unique selling point for institutions such as Dundee university was the thriving student experience on campus. That experience has drastically reduced and therefore a unique selling point to attract students to the university has been severely diminished. Will the report encapsulate that, and will it provide guidance and assistance to other institutions that rely on a similar student experience?

Graeme Dey: That is a reasonable point; I will take it away and talk to the SFC about it. There is

no doubt that such things damage the attractiveness of institutions. However, let us remember that Dundee university has been a highly successful university with a great international reputation. Its reputation will recover from this. I will incorporate your point in our discussions with the SFC.

Michael Marra (North East Scotland) (Lab): I thank everybody for the conversation today. It has been very useful for understanding the breadth of the issues that universities are facing, particularly my home university in Dundee.

Will there be a report? Maurice Golden referenced a report. I have heard that there will be a recovery plan. Will a report that details what has happened be published? Who will it be published for, where will it be published, and who will have access to scrutinise it?

Graeme Dey: Perhaps I am getting ahead of myself. I anticipate that there will be a report. I think that an explanation needs to be provided because of the element of public funding. It needs to be provided for the staff and students. We need to understand how the situation occurred. I fully expect that there will be a report and I will reinforce that expectation in my conversation with the SFC.

Of course, it should be available to the committee to take a view on the nature of that report. Those are public institutions and public entities that are partly publicly funded, whether or not they are stand-alone institutions, and I would fully expect that an explanation will be available of how the situation has arisen.

Michael Marra: That is critical, and I welcome that response from the minister.

Earlier, John Mason mentioned that reserves in Dundee university are at £160 million. The year-end position of July 2024 was £34 million in reserves. That had gone down by more than £30 million in-year. There is also an in-year cash flow deficit of £30 million. There is no reserve position to maintain a viable institution, even in the short term. That is the context of the recovery plan in which the management is operating. It is important to put on the record the most recent set of accounts, because that is the scale of the challenge that is in front of the university.

We have usefully covered income in the discussion today. However, my reading is that it is a question of expenditure, which has increased dramatically. The previous figure of £160 million that John Mason quoted was accurate at one point, but there was a rapid diminution in the level of reserves as cash went out the door. In relation to the financial position, is it the minister's understanding that, as well as the income situation—which he has already covered in some

detail—expenditure is also a significant part of the equation?

Graeme Dey: Mr Marra has the advantage of having formerly worked at the university and has lines into the university. As a minister, I do not oversee the individual finances of one institution after another; that is not my role at all. However, as I said, since the announcement of the £30 million deficit, the SFC has been actively engaging with the university and has sought the numbers behind how that deficit has been reached. I expect that, in addition to what the university does, the SFC will develop its understanding so that we know what happened at Dundee and whether that points to potential risks elsewhere.

We must learn from what has happened in Dundee. That is why I keep stressing that I am reluctant to speculate at this stage. We should all desist from speculating, because, until we understand exactly what happened, there is a risk that we exacerbate the situation and the level of concern. That is not to say that, once provided, the report or the explanation will not create further concern.

Michael Marra: I appreciate that. Your comments are useful.

I was heartened by your response to the previous set of questions, in which you said that the university will recover. I note from *The Courier* this morning that you were asked on several occasions whether the university was, in essence, too big to fail. Let me say that it is too big to fail. One in seven of Dundee's population are students at that institution, and there are 3,000 members of staff. The university has a critical relationship with the NHS, whether that be joint contracts for the provision of oncology services or in all manner of other areas, such as the training areas that have been pointed out.

The university cannot be allowed to fail and, although it is an independent institution, that is a responsibility of Government. I see that the cabinet secretary is nodding at that point; it would be good to have her agreement on the record. Do you agree that the university is too big to fail, cabinet secretary?

Jenny Gilruth: I very much agree on the importance of Dundee university—I should say that as a Fife MSP. There is a joint campus in Kirkcaldy for nursing, so there is close working with the university. A number of my constituents study at the university and, as an Angus MSP, that will be exactly the same for Mr Dey.

I do not diminish the importance of the university, particularly its geographic importance. We have talked a lot about the international student population, but the university as an institution is also hugely important to those who

live in Angus, Fife and the surrounding areas. We will do all that we can to facilitate support via the auspices of the SFC.

Mr Marra quoted some figures, but I do not have the details of those in front of me. I do not know whether those have been shared with Mr Dey. We need to be very careful about speculating, as Mr Dey has outlined. However, as Mr Dey alluded to, we will be absolutely transparent with the committee with regard to the report—or the action plan—that comes forward. It is important for members, particularly for local members, to have sight of the detail and an understanding of what happened. Ministers also want to be reassured in relation to that detail.

Graeme Dey: It is also the case that what has often been cited is a statement by someone in the university who has been represented as saying, “The university could fail.” However, I think what was said was, “If we don’t take steps to address this, it is so serious that it could fail.”

All that I can say to Mr Marra is that, from my conversation with the chair of court—and from the subsequent conversations that I know that the SFC has had with Dundee university—there is an optimism that it will get through this. There will be some pain attached to it, but it will get through it. Indeed, it is essential that it does, because it is an important institution in the Scottish university landscape.

12:00

Michael Marra: Can I push you on one point, then, minister? When the Scottish Funding Council, as you have said, looks at and evaluates the recovery plan, the pain that you have referred to will, without a doubt, be felt by employees. After all, that is who we are talking about—we are talking about job losses as a result of this. If those job losses are, frankly, too high, because of the immediacy of the problem that I have described, what can the SFC do to assist in the short term and to make sure that there is a recovery plan that is more sustainable and which can win the confidence of staff? By that I mean some form of bridging loan or financial accommodation that can give them support to allow for a more acceptable situation. None of what has been described by other colleagues is, I think, acceptable to staff, but that would be real action from the SFC if it could look at the situation and evaluate it in the context of what it can then do.

Graeme Dey: How one would interpret that would be subjective. I say to Mr Marra that the SFC would want to satisfy itself that the plan was robust and that it got the university to a sustainable position. The part about sustainability is about ensuring that it is a vibrant and viable

concern going forward. There might be short-term pain, but it will still be a thriving university.

I will not speculate on the detail around this, but all that I can say to the member is that the SFC has a track record of engaging appropriately with institutions. We find ourselves in a unique situation with the University of Dundee. I cannot sit here today and say, “The SFC will do X or Y”—that is not for me to say—but I know that it will approach the issue from the point of view of supporting the university’s recovery to a sustainable position, and of not doing or overseeing anything that would jeopardise that.

Michael Marra: Thank you.

The Convener: I call Miles Briggs.

Miles Briggs: The specific issue with regard to Dundee university, as we have heard today, is deeply concerning, but I want to pick up on the minister’s comment that he hopes that university courts are looking at their finances. Has the Government decided to look at the issue of financial sustainability or to commission a piece of work through, for example, Audit Scotland, to see where we can potentially have better oversight of what is going on with university finances? Is that a special piece of work that ministers have looked to commission?

Graeme Dey: I will check the *Official Report*, convener, because I think that I said that I would have “expected” that to happen, rather than “hoped”. It is a natural reaction for chairs of court to say to their vice-chancellors, “Have you seen this? Are we absolutely assured of our position?”

I want to see what the SFC makes of this in the context of what comes out of Dundee. As I have said, if there needs to be some movement on the governance arrangements—or, perhaps more accurately, the oversight arrangements—we are open to considering that, and we will do that in conjunction with the university sector.

Miles Briggs: Thanks for that.

The Convener: I call Pam Duncan-Glancy.

Pam Duncan-Glancy: I echo some of the points that have been made with regard to the clarity that has been provided—thank you for that. However, can you provide some further clarity, minister? In your letter to the SFC, on sustainability, you said:

“while careful consideration must be given to the financial sustainability of individual institutions, I expect SFC to consider the wider landscape of provision and the needs of learners”.

That could be quite widely interpreted. Will you take this opportunity to clarify that you have no intention of letting an institution, college or university fail?

Graeme Dey: I will have to go back and look at the form of words that was used, because I certainly did not interpret it in that way.

We, as a Government, are not in the business of seeing institutions fail, but they need to become sustainable. That is their purpose, and it is in everyone's interest that they are sustainable. A lot of the work that we have been doing through the tripartite groups and behind the scenes, working with the SFC and with institutions, is to get them to that place where they are more sustainable.

I go back to the earlier point about their growing their commercial income. We want thriving institutions that deliver the appropriate skills and qualifications in as many localities as possible. That is what we are in the business of doing.

The Convener: I thank our north-east members for raising this issue, the minister for his comprehensive responses and the cabinet secretary, too. The minister is right to say that speculation can be unhelpful, but I also think that scrutiny by the parliamentary committee will, I hope, give reassurance to those affected by this situation that it is being raised by local regional members and is clearly a top priority of the Government and of the minister in his conversations with the Dundee university court and the SFC. The committee will appreciate any further information that the minister can share with us to further its scrutiny.

Going back to the wider evidence session, I thank the cabinet secretary, the minister and officials for their time and the answers that they have given. You are going to follow up a number of issues, which the committee appreciates.

That concludes the public part of our proceedings. As the witnesses leave, we will move into private session.

12:05

Meeting continued in private until 12:34.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot

