

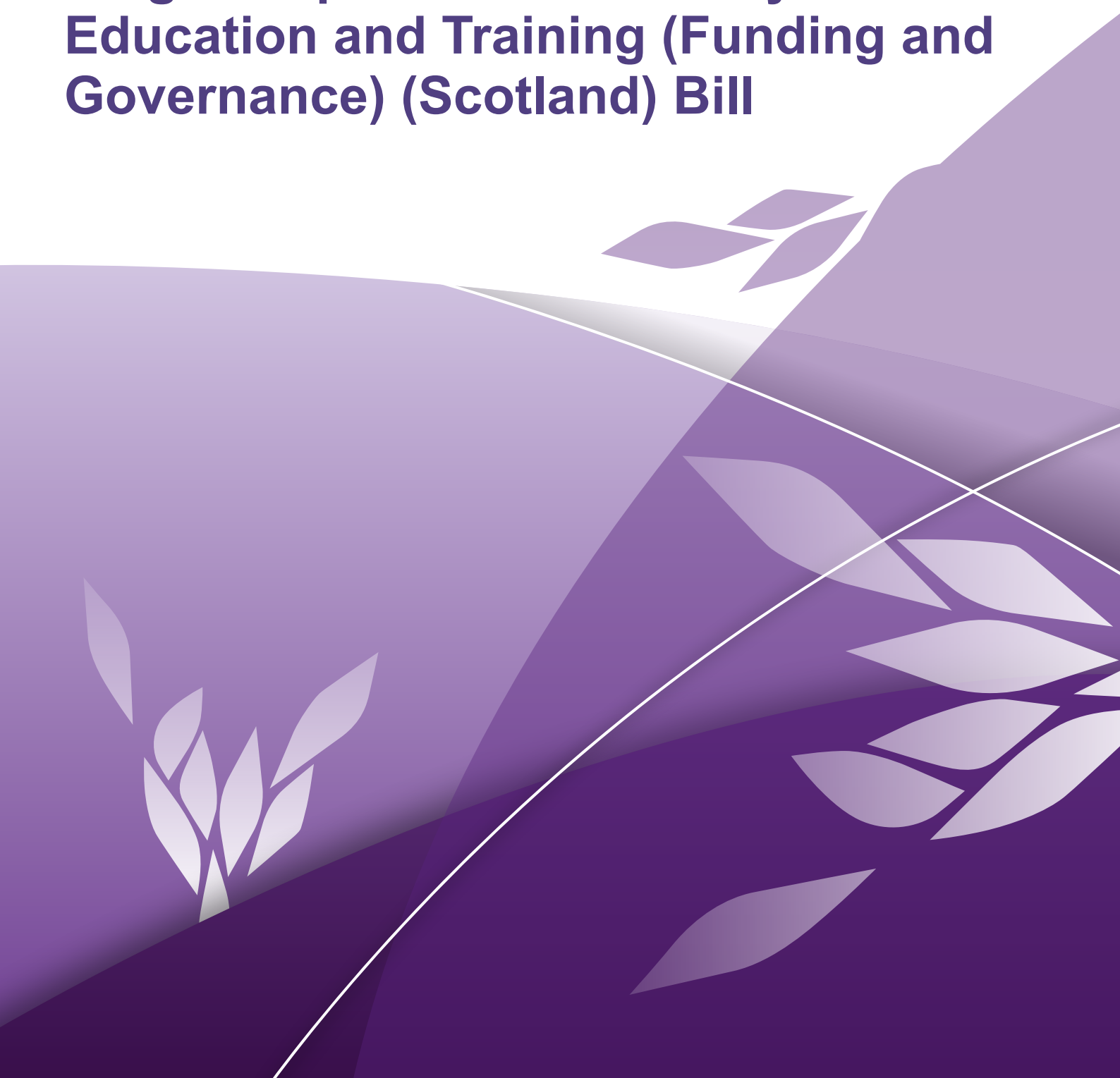


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Education, Children and Young People Committee

Stage 1 report on the Tertiary Education and Training (Funding and Governance) (Scotland) Bill



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Education, Children and Young People Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Education and Skills and matters relating to the Historical Abuse Inquiry, redress and languages falling within the responsibility of the Deputy First Minister.



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Membership changes

1. The following changes to the Committee's membership occurred during the Committee's scrutiny:
 - On 2 April 2025, Joe FitzPatrick MSP replaced Keith Brown MSP as a member of the Committee
 - On 26 June 2025, Paul McLennan MSP replaced Joe FitzPatrick MSP as a member of the Committee.

Introduction

2. The Tertiary Education and Training (Funding and Governance) (Scotland) Bill was introduced by Jenny Gilruth MSP, Cabinet Secretary for Education and Skills, on 5 February 2025. The Bill is supported by Graeme Dey MSP, Minister for Higher and Further Education; and Minister for Veterans.
3. The Policy Memorandum published alongside the Bill explains that its four main policy objectives Bill are—
 - Consolidating funding for provision
 - Improving the operation of the Scottish Funding Council (SFC)
 - Improving the governance of the SFC
 - Designation of private providers for student support.
4. The Education, Children and Young People Committee was designated as the lead committee for Stage 1 consideration of the Bill. The Committee issued a [call for views](#) on the provisions of the Bill, which ran from 28 February 2025 until 11 April 2025.
5. Ahead of the Committee's oral evidence sessions on the Bill, the Economy and Fair Work Committee took evidence on Skills Delivery at its meetings on [26 March](#), [2 April](#), [23 April](#), [30 April](#) and [7 May](#). That Committee's work focused on wider skills policy and complemented the Education, Children and Young People Committee's Stage 1 scrutiny of the Bill.
6. The Economy and Fair Work Committee [wrote](#) to the Minister for Higher and Further Education; and Minister for Veterans on 27 May 2025 to highlight the evidence it had taken.
7. The Education, Children and Young People Committee took oral evidence at sessions during May. The Committee took evidence from:

7 May

- Clare Reid, Director of Policy and Public Affairs, Prosper
- Professor Nigel Seaton, Fellow, Royal Society of Edinburgh (RSE)
- Martin Boyle, Chief Operating Officer, Scottish Funding Council (SFC)
- Damien Yeates, Chief Executive of Skills Development Scotland (SDS)
- Catherine Topley, Chief Executive, Student Awards Agency Scotland (SAAS)

14 May

- Andrew Ritchie, Lead Officer Developing the Young Workforce (DYW), Aberdeenshire Council, representing the Association of Directors of Education (ADES) Sub-Group on Foundation Apprenticeships

- Jon Vincent, Principal, Glasgow Clyde College, representing Colleges Scotland
- Sai Shraddha S. Viswanathan, President, NUS Scotland
- Sir Paul Grice, Interim Convener, Universities Scotland
- Sarah Dalrymple, Founder and Director, SDC-Learn
- Stephanie Lowe, Deputy Chief Executive, Scottish and Northern Ireland Plumbing Employers Federation (SNIPEF)
- Phiona Rae, Head of Administration & Finance, Tullos Training

21 May

- Sarah Collins, National Officer for Further Education, Educational Institute of Scotland (EIS)
 - Liam Davenport, Industrial Officer, Public and Commercial Services Union (PCS)
 - Nicola Jackson, UNISON Steward, Skills Development Scotland (SDS)
 - John Lewis, Scottish Funding Council Workplace Representative, Unite the Union
 - Mary Senior, Scotland Official, University and College Union (UCU) Scotland
 - Vikki Manson, Deputy Head of Policy Scotland, Federation of Small Businesses (FSB)
 - Paul Campbell, General Manager at Scottish Water and Scottish Apprenticeship Advisory Board (SAAB) Employer Engagement Group Chair, representing SAAB
 - Carolyn Currie, Chief Executive, Women's Enterprise Scotland.
8. The Committee also took evidence from the Minister and his supporting officials.
 9. The Committee is grateful to those who took the time to give evidence, both in person and in writing.

Background

10. In January 2022, Audit Scotland published a report, [Planning for Skills](#), which recommended that the Scottish Government should:
 - clearly set out its strategic intent for skills alignment, the outcomes it aims to achieve, and how it will measure progress – ensuring that this is consistent with relevant objectives and outcomes in its national strategies and plans
 - clarify the governance and oversight arrangements for skills alignment activity
 - through letters of guidance, clearly articulate to Skills Development Scotland (SDS) and the Scottish Funding Council (SFC) what it expects of them in working together to implement skills alignment, ensuring the letters to both agencies are consistent and complementary.
11. Audit Scotland recommended that the Scottish Government, SDS and the SFC should agree how they will work together to deliver shared outcomes for skills.
12. Audit Scotland also recommended that SDS and the SFC should:
 - implement solutions to overcome obstacles to joint working, including collectively using data to inform skills planning
 - provide timely, regular reports about their progress on skills alignment to the Scottish Government and others with governance and oversight responsibilities.
13. Later that year, the Scottish Government commissioned former Chief Executive of Scotland Food and Drink and NFU Scotland, James Withers, to undertake a review of the Skills Delivery Landscape. [Reporting in June 2023](#), the review made several observations about the current landscape, including:
 - funding is “too fragmented” and this has an impact on the ability of providers to respond to needs
 - The current structure of agency landscape sees SFC and SDS advocating for different parts of the system.
14. The review set out 15 recommendations for transforming the skills delivery landscape. These included calls for the Scottish Government to:
 - take responsibility for skills planning at national level
 - create a single funding body bringing together many of the functions of the SFC, SDS and the Student Awards Agency Scotland (SAAS) and taking in all learning pathways and flexible and part-time modes of study
 - introduce a universal skills framework with consistent language around qualifications and develop a clear map of the post-school system to help learners navigate it
 - explore greater private sector investment in the post-school learning system,

for example through in-work learning opportunities.¹

15. In June 2023, the Scottish Government published [Purpose and Principles for Post-School Education, Research and Skills](#), a framework intended to set the overarching policy direction for higher and further education. An [Initial Priorities document](#) was published alongside this, which stated that the Scottish Government would lead the development of a new model of public funding for all forms of provision and investigate options to deliver a single funding body for the sector.
16. On 5 December 2023, during a [Ministerial Statement on post-school reform plans](#), the Minister announced that the Scottish Government intended to develop and lead a national approach to skills planning, whilst also strengthening it at the regional level.
17. The Minister also committed to "bringing learner support funding together in one place, and funding for apprenticeship provision together in one place". The Minister added that the Scottish Government would work closely with the SFC, SAAS and SDS on how they would make that happen.²

Part 1 - Functions of the SFC

18. National training programmes for employment (NTPs) have been delivered by SDS and the SFC with a focus on upskilling or reskilling the existing workforce and helping people who have been made redundant. The Flexible Workforce Development Fund (FWDF) and the Teaching Bursary in Scotland are examples of NTPs.
19. FWDF was available to apprenticeship levy paying employers and small and medium enterprises (SMEs), providing funding to upskill and reskill the existing workforce. The SFC piloted the FWDF in 2017-18, and the fund ceased in 2022-23.
20. The Teaching Bursary in Scotland supports individuals who are career changers undertaking a one-year Postgraduate Diploma in Education (PGDE) in order to enter teaching in the hardest-to-fill teaching subjects. The scheme provides 84 individual bursaries of £20,000 over each academic year. The scheme is operational in 2025-26 and is administered by SDS.
21. With regards to Scottish apprenticeships, at present, there are three types of apprenticeship offered in Scotland: foundation apprenticeships, modern apprenticeships and graduate apprenticeships.
22. Foundation apprenticeships are for school pupils between S3 and S6 (aged 14 to 18). They lead to a qualification equivalent to National 4, National 5 or Higher. There are currently 15 different foundation apprenticeships offered in Scotland, in subjects such as software development, and food and drink technologies.
23. Modern apprenticeships are mainly aimed at people aged 16 to 24, although there is not an upper age limit. A modern apprentice is employed and balances their employment and on-the-job training with some formal study at a college or other learning provider. These apprenticeships last for between one and four years. There are currently over 100 different modern apprenticeships offered.
24. Graduate apprenticeships are for those aged over 16, with no upper age limit. A graduate apprentice is also employed, and works toward an ordinary or Masters degree by combining employment with study at a higher education institution. These apprenticeships last for between two and five years. There are currently 14 graduate apprenticeships offered in Scotland, including accounting and data science.
25. At present, funding for apprenticeships is delivered by SDS, the SFC and SAAS. The SFC funds around half of foundation apprenticeships and, since 2021-22, new graduate apprenticeships under its statutory powers for securing further and higher education provision. The SFC also contributes funding towards the costs of providing modern apprenticeships. The majority of the modern apprenticeship programme and the remainder of the foundation apprenticeship programme are secured and overseen by SDS. SDS also funds some legacy graduate apprenticeships. SAAS provides the tuition fee support for graduate apprenticeships.
26. Part 1 of the Bill will give the SFC new functions in relation to securing and funding delivery of NTPs, Scottish apprenticeships and work-based learning. It also

introduces a statutory framework for Scottish apprenticeships.

27. In addition, Part 1 places a new duty on the SFC to monitor the financial sustainability of post-school institutions. It strengthens the SFC's existing functions and provides a regulation-making power for the Scottish Ministers to set out matters about which post-16 education bodies must notify the SFC.

General duties of the SFC

28. Section 1 of the Bill modifies section 3 of the Further and Higher Education (Scotland) Act 2005 (the 2005 Act) to include coherent provision of apprenticeships and work-based learning within the Scottish Funding Council's (SFC's) general duties. This adds to the SFC's existing general duties under the 2005 Act to secure coherent provision of a high quality of fundable further and higher education, and the undertaking of research among post-16 education bodies.
29. Section 2 modifies section 4 of the 2005 Act to add a general duty for the Scottish Ministers to provide support for the provision of Scottish apprenticeships and work-based learning. Support can be provided via the grant-making powers in the 2005 Act or by other appropriate means.
30. This means that the Bill would move the funding and functions related to NTPs and provision for apprenticeships from SDS to the SFC, with a significant shift in staff from SDS and expansion in the responsibilities of SFC.
31. Currently Scottish apprenticeships are largely funded by SDS, administratively. In his evidence, the Minister explained that the Bill would not only consolidate three funding bodies into two, simplifying funding arrangements, but would also put apprenticeships on a statutory footing for the first time. He added that this change "clearly signals the high value that we [the Scottish Government] place on them in driving economic growth and creating high-quality opportunities for learners."³
32. There was broad support for the principle of simplification from several organisations including SFC, Institute of Physics, MCR Pathways and many independent training providers. City of Glasgow College described the current duplication between SDS and SFC as "a plainly inefficient arrangement".⁴ However, much of the support was qualified.
33. For instance, Angus Training Group stated that the success of the move to SFC "will depend on how well the funding and administrative functions are integrated".⁵
34. Organisations including the Construction Industry Training Board (CITB) and Colleges Scotland stated that the Bill had the potential to bring about a number of improvements to current practice.
35. From CITB's perspective, the Bill could improve procurement and the delivery of skills and training.⁶ For Colleges Scotland, it could allow the consideration of "more fundamental questions about the future governance and funding of tertiary education in Scotland."⁷ Although they did stress the need for reform to be done "promptly" and to ensure that "attention is not diverted from what is possibly our largest issue, which is the financial sustainability of the college sector."⁸

36. Scottish Electrical Charitable Training Trust (SECTT), which manages the training scheme for electrical apprenticeships in Scotland on behalf of the Scottish Joint Industry Board (SJIB), stated that they supported the measures in the Bill:
- ” providing that they lead to—
- improved accountability and efficiency in the delivery of apprenticeship training
 - greater transparency and streamlined funding opportunities open equally to all training providers
 - recognition of the role of Managing Agents to ensure that Further and Higher Education (FE and HE) requirements do not dominate, and that there is parity of esteem among all stakeholders
 - recognition and inclusion of Managing Agents as Fundable Bodies.⁹
37. Enginuity, a charity focused on closing skills gaps in the engineering and manufacturing sector, concurred that the proposals presented an opportunity for a “truly holistic plan.” However, they stressed that it was critical that structural reforms are not a distraction from providing long-term certainty to the system and that the strengths of the existing system are not lost.¹⁰
38. Several contributors, including Stirling Council, SCD-Learn, the Scottish Training Federation and SDS, raised concerns about the capacity of the SFC to manage apprenticeships effectively, stating that the organisation:
- lacks experience of working directly with employers and industry, something that SDS has done effectively^{10 11}
 - lacks the knowledge and understanding to manage national training programmes and apprenticeship provision¹²
 - does not have relationships with independent training providers, particularly small providers, or local authorities and, as a result, may default to colleges and universities with which they are more familiar.⁸
39. It was also noted that, at present, apprenticeships are a key focus of SDS whereas they will only represent a small proportion of SFC's budget, who will still have responsibility for securing coherent provision of a high quality of fundable further and higher education, and the undertaking of research among post-16 education bodies.
40. Various stakeholders sought assurances around how apprenticeship funding would be prioritised. This issue is covered in more detail in the section 'Funding for apprenticeships and work-based learning'.
41. There was also a concern that the knowledge and experience of SDS staff would be lost from the system. Phiona Rae of Tullos Training Ltd, an independent training provider (ITP) based in Aberdeen, told the Committee:

” I hope that the SFC takes into account the knowledge and experience that a lot of the people in SDS have and that the two bodies can work together.⁸

42. SDS staff who are working on apprenticeships were also praised by other ITPs, managing agents, employers and SFC. Martin Boyle, Chief Operating Officer at SFC stressed that many of the staff currently carrying out these roles would transfer to SFC, bringing their experience and maintaining existing relationships with employers and training providers.¹³

43. Concerns were also raised by organisations including UK Fashion and Textile Association Ltd, Universities Scotland, UCU Scotland, University of Stirling and Institute of the Motor Industry that adding responsibility for apprenticeship provision to the SFC could dilute their effectiveness in respect of higher and further education.

44. Noting current financial sustainability issues within the higher education and further education sectors in general, as well as some institutions in particular, Colleges Scotland stated:

” We have a number of institutions that are in a fragile state. The SFC’s capacity to step in and support them concerns me right now, let alone if it is going through large-scale organisational change. Its bandwidth to support as many institutions as I think are reporting and forecasting financially challenging situations is of concern to me.¹⁴

45. Martin Boyle insisted that SFC would have capacity to serve all areas of their new remit well, highlighting that it would have a larger staff base which could be focused on what is important at the time:

” We might focus more on apprenticeships or on colleges and universities. With more people, we have a better chance to focus on the right space.¹³

46. SDS argued that the measures in the Bill are the wrong focus at the present time. The organisation stated that the Scottish Government should be focused on more pressing matters, specifically the financial sustainability of the university sector and current and future workforce demand. It argued that the scale of these challenges, and the opportunities they present, are under-represented in current plans for reform.¹⁴

47. Paul Sheerin, Chief Executive of Scottish Engineering, told the Economy and Fair Work Committee that employers were nervous about the proposals, citing figures in the Financial Memorandum which indicate potential apprenticeship related efficiencies of approximately £9.1 million from 2027-28 to 2030-31. He argued that this proposal, when current funding is not meeting demand, was "inherently risky".¹⁵

48. Scottish Chambers of Commerce also raised concerns about the proposals in the Bill:

- ” We believe that plans as they have been articulated will be costly, more complex than envisaged, take significant time to deliver and will not result in the workforce that our members need. ¹⁶
49. RSE accepted that the Bill could improve coherence and efficiency in the delivery of post-school education and skills training, however, they stated that focusing on structural change carried risk. They suggested an alternative path forward would be to better align the work of the SFC and SDS with processes and policy. This would increase coherence without the potential for disruption and significant use of resources at a time of significant pressure on public services. ¹⁷
50. SQA stated that the Bill provides:
- ” the legal architecture for structural reform of some aspects of Scotland’s skills delivery landscape. However, the outcome must ultimately be a vehicle to support the wider change ambitions that arose from the Withers review of the skills delivery landscape. ¹⁸
51. While acknowledging that financial sustainability is the most significant issue affecting the higher education sector, Sir Paul Grice, Interim Convener of Universities Scotland, stated:
- ” I genuinely feel that, if the Bill was not proceeded with, that would be a real missed opportunity. The Bill, maybe with some amendments and development, offers real possibilities for an improved system. ⁸
52. When giving evidence to the Committee, the Minister stated that the Bill was one, albeit fundamental, part of a wider package of reform of post-school education and training.
53. He highlighted work undertaken by the Scottish Government which is aiming to make improvements to the system, including in areas such as: the careers advice available; the vocational education offering; the model for graduate apprenticeships; and the agility of modern apprenticeships. The Minister went on to state that the leadership of SDS "does not think that there is a problem to fix, particularly when it comes to the delivery of modern apprenticeships." ³
54. The Minister argued that the Bill shifts responsibility for NTPs, all apprenticeships and work-based learning to the SFC, to not only create a coherent post-16 landscape but also to allow improvements to the delivery of apprenticeships and enable a different approach to be taken. ³
55. In response to questions around funding, the Minister offered reassurance that funding for apprenticeships would remain a priority, stating:
- ” It most definitely will, because, apart from anything else, there will be clear ministerial direction about the importance of apprenticeships. ³
56. The Committee acknowledges that the majority of those contributing to the Committee's call for views were supportive of transferring responsibility for

apprenticeships and work-based learning to the SFC. However, it notes that almost all of this support was caveated in some way.

57. The Committee recognises, for example, some organisations' concerns about the SFC's lack of experience in working with independent training providers.

58. The Committee notes, however, that, under the Bill's proposals, the SFC staff base will expand to include a significant number of people, presently employed by SDS, who will bring with them existing relationships with independent training providers and employers to their new roles.

59. The Committee also heard concerns regarding the future capacity of the SFC to respond to the needs of all areas of its remit, should the Bill's proposals be implemented.

60. The Committee notes that SFC's view is that an expanded staff base will allow it to fulfil all its current and future obligations.

61. Despite these assurances, the Committee stresses the importance of SFC being able to clearly demonstrate its capacity to respond swiftly to calls for assistance from individual institutions and also exercise its role in monitoring the financial sustainability of fundable bodies providing education and training and those sectors more generally. The Committee asks the Scottish Government to set out ahead of the Stage 1 vote, how it will ensure coherent skills planning in the situation where the careers function of SDS is separate from the funding and planning of skills/apprenticeships and other qualifications.

62. The Committee acknowledges the Minister's stated commitment to improving the delivery of apprenticeships and that he believes transferring responsibility for national training programmes and apprenticeships to SFC will enable this.

63. In light of the anxiety raised during evidence sessions about the potential reduction in apprenticeship numbers and a dilution of employer and business influence, the Committee seeks a response to these points from the Scottish Government ahead of the Stage 1 debate, which would include how it intends to increase the numbers of apprenticeships and frameworks available; and how it will change the way that the SFC engages with employers, industry, independent training providers and fundable bodies.

64. In order to ensure that the desired improvements to apprenticeship delivery, alluded to by the Minister, are achieved, the Committee suggests that the Scottish Government commit to carrying out a thorough review within 36 months of commencement, should this Bill become law. This review should:
- include information about the apprenticeships and frameworks available; coherence of delivery; and the SFC's relationships with employers, industry, independent training providers and fundable bodies
 - seek the views of employers, independent training providers and fundable bodies
 - be made publicly available.

65. The Committee acknowledges the Minister's statement that apprenticeship funding will continue to be prioritised in the future. Given the evident concern of stakeholders about this issue, the Committee believes that further detail is required from the Scottish Government as to how this will occur, in order to provide reassurance to the sector. This information should be provided ahead of the Bill moving to Stage 2.

Creation of a new body

66. The Financial Memorandum (FM) indicates that, as of 2024, Scottish Funding Council (SFC) had approximately 190 full time equivalent (FTE) staff. However, the [SFC annual report 2023-24](#) stated that they had an average of 141.5 FTE staff.³
67. The FM assumes that between 148.4 and 174.6 FTE staff will transfer from Skills Development Scotland (SDS) to the SFC across a range of grades. Whether there are currently around 140 or 190 FTE staff at the SFC, should the Bill become law, the SFC will approximately double in size.
68. Public and Commercial Services Union (PCS) highlighted that more than 40 per cent of SDS staff are on alternative working patterns. As such, the actual headcount to transfer will likely be higher than the FTE.¹⁹
69. In their evidence to the Finance and Public Administration Committee, SDS suggested that the 148 FTE could translate to a headcount of 238 people transferring to SFC.²⁰
70. Given the staff numbers involved, PCS stated:
- ” Merging a workforce by transferring the larger cohort into the smaller one is not the most intuitive approach; the reverse would have been simpler and likely cheaper, albeit SFC's statutory status was a complicating factor.¹⁹
71. In his evidence to the Committee, the Minister stated that the "SFC will, in effect, become a new organisation."³ He also stressed that although the budgets for colleges and universities are significantly more than the budget for apprenticeships,

as half of the workforce of SFC will be working on apprenticeships, this will become a "critical part of the SFC's activities." ³

72. Given the staff numbers involved, bringing together the funding and responsibility for NTPs and apprenticeships from SDS with the rest of SFC's responsibilities will be a huge change project.
73. Unite, PCS and UNISON Scotland are trade unions which represent staff at SFC, SDS and SAAS. All three unions expressed frustration and disappointment at what they described as a lack of effective consultation by Scottish Government with the staff who could be impacted by the proposed move, despite commitments that this would take place. They added that it was also still unclear which staff were in scope to move and that, as a consequence, staff morale within SDS, in particular, was very low. ²¹
74. Liam Davenport of PCS stated that unions and staff would expect to have an indication of who would be in scope to move from SDS by this point in the process. The expectation is therefore that senior leadership at the organisation should by now have an indication of who would be in scope to move. ²¹
75. In his evidence to the Committee, the Minister set out the engagement that the Scottish Government had undertaken with these organisations to date, but explained that there had been no further engagement since January 2025, owing to the Scottish Government's focus on drafting the Bill, and staff absence.
76. The Minister told the Committee that, as result of concerns expressed during the evidence sessions on the Bill, a meeting with trade union representatives had been organised for June 2025. ³
77. Several contributors, including Universities Scotland, highlighted that SFC and SDS currently have differing organisational purposes and associated cultures, which could pose challenges in relation to transferring staff. ²²
78. Others pointed to a lack of alignment in relation to current systems, data recording and reporting mechanisms. SDS, independent training providers, Comhairle nan Eilean Siar, the Scottish Training Federation and others explained that SFC and SDS feed different types of data back into the system and publish reports on different schedules. For instance, SDS collects information using FIPS (Funding Information and Processing System) and produces modern apprenticeship statistics on a quarterly basis, ¹² whereas SFC generally produces its statistics annually.
79. Independent training providers and colleges queried which systems will be used in future, and how the transition would be managed.
80. Organisations, including the Scottish Training Federation, stressed the importance of the real-time data that is currently provided on the apprenticeship programme, and expressed concerns that the same timely data will not be available under SFC. ¹²
81. It was evident that more information and reassurance about the transition arrangements is required. The Scottish Training Federation insisted:

” Without robust plans in place to ensure a smooth transfer of functions from Skills Development Scotland (SDS) to SFC, there is a real danger that the success of the programmes will be undermined. ¹²

82. Professor Nigel Seaton of RSE told the Committee that while the transition to new arrangements should be undertaken as quickly as possible, it is important to understand that the most obvious changes, such as the organisational change, changes of responsibilities and new jobs, are the start, rather than the end point. Cultural integration will take longer, and sustained effort. ¹³

83. Colleges Scotland agreed that time and effort will be required to build knowledge of apprenticeships and national training programmes within the Board of SFC, and to integrate staff. University of St Andrews requested that, during transition:

” safeguards are put in place to ensure that there are no detrimental impacts to learners, work placement providers, or learning providers. ²³

84. PCS stated that the lack of engagement with staff has led to a lack of confidence in the proposed reforms. They called for Scottish Government to take a step back from the Bill, to engage properly with workers involved in apprenticeships, and then make a plan based on that fuller understanding. ¹⁹

85. UNISON Scotland agreed, stating that the proposals in the Bill are “fraught with risk” for apprenticeships and should not go ahead. ²⁴

86. The Committee notes that this Bill will, in effect, create a new body with responsibility for securing apprenticeships, national training programmes, work-based learning, further education and higher education.

87. The Committee was concerned to hear that, to date, the staff members and their trade unions, most likely to be affected felt there had been a lack of meaningful consultation about the Bill's proposals. Union representatives talked of the impact this lack of consultation was having on staff members, with widespread uncertainty around exactly what was being proposed, the number of FTE staff who might be required to move between organisations, the timescales for this and the impact this might have on staff terms and conditions. The Committee agrees with the trade unions that the proposals would benefit from fuller engagement with them and that it is vital that all affected staff, and their union representatives, are kept informed of, and engaged in, every stage of the process from now on.

88. The Committee acknowledges that to ensure a smooth transition between current arrangements and those envisaged in the Bill, change will need to be carefully managed across all organisations and implemented in a way that recognises the varied needs of staff, those in learning and training, and employers.

89. The Committee notes the evidence it received relating to differing data recording and publication schedules between SFC and SDS. It also recognises the value employers and training providers place on the continued availability of real-time data. The Committee asks the Scottish Government and SFC to provide clarity on these issues, including setting out what systems will be used for apprenticeship data and whether real-time data will still be made available.

Costs of the Bill

90. The Financial Memorandum (FM) sets out the anticipated costs associated with the Bill. It stated that, in total, there will be costs of between £2.7 million and £5.3 million over 2025-26 and 2026-27 as the Bill is implemented, followed by ongoing costs of between £510,000 and £1.2 million per year.²⁵
91. The main costs arise due to the anticipated harmonisation of terms and conditions for the staff members who move from SDS to the SFC as part of the transfer of responsibility. Pay harmonisation is expected to cost between £200,000 and £210,000 in 2026-27, and these costs will only arise in the second half of that year after the transition date.
92. The FM explains that the estimates are based on "initial SDS modelling and require significant further work, including engagement with HR, recognised trade unions and affected staff, to convert into a specific staff list".²⁵
93. In evidence to the Committee, Scottish Government officials stated that the FM was based on publicly available data and figures that SFC, SDS and SAAS had provided.³
94. UNISON, PCS and Unite questioned the calculations in the FM regarding pay harmonisation, particularly in relation to the suggestion that SDS staff would need to be uprated to the relevant SFC pay scale. Without a clear indication of exactly which staff would be transferred from SDS to SFC, it was not possible to say with any clear certainty exactly how much it would cost to do so.
95. Although acknowledging that mapping exercises had been carried out without job evaluation information, which is confidential, PCS suggested that at least three out of four roles at SDS are paid at a slightly higher rate than equivalent roles at SFC.²¹
96. Unite the Union stated that the initial calculations they had carried out indicated that the difference in salary between similar-level roles was between £9,000 and £12,000 per year, which indicated that there would be a "substantive and recurring increase in the pay bill for a large number of staff within SDS."²¹
97. The FM explains that the figures provided do not include the cost of pensions transfers. These costs are possibly significant and likely to have a material impact on the total costs associated. Staff at SDS are part of the local government pension scheme, while staff at the SFC are part of the civil service pension scheme. Such a

transfer might require a shortfall payment, the precise value of which will be determined by the take up of the transfer by staff, and their age and salary. As there were "very large uncertainties around the pension shortfall payment"²⁵, the FM provides illustrative examples to show the potential variability in short-fall costs, however, it states that these are not estimates as actuarial advice will be required to calculate final costs.

98. Liam Davenport of PCS also stated that there is a greater employer contribution for those in the civil service pension scheme. He stated that, depending on how many transferring SDS staff choose to join that scheme, there could be on-going costs for the SFC to bear.²¹
99. The Finance and Public Administration Committee (FPAC) launched a [call for views on the Financial Memorandum](#), which ran from 11 March to 16 April 2025. FPAC [wrote to the Education, Children and Young People Committee](#) to highlight the evidence that it received, which echoed concerns about potential underestimates within the FM, particularly in relation to uncertainty around the number of staff to be transferred to the SFC from SDS, differences in pay scales between the two organisations and lack of clarity around pensions transfers and related costs.
100. In its correspondence, FPAC also highlighted that the illustrative examples, which indicate that the pension short-fall costs could be between £1 million and £23 million, are based on 150 members of staff moving from SDS to SFC. However, as noted in the section 'Creation of a new body' the FM estimates between 148.4 and 174.6 FTE will be transferred, and unions and SDS expect the actual headcount to be higher.
101. The FM states that the "Scottish Ministers may choose to work to a ceiling on the overall cost" of the pension shortfall payments.²⁵ PCS and SDS both expressed alarm that this may limit the ability of SDS and the SFC to meet their obligations under Transfer of Undertakings (Protection of Employment) Regulations (TUPE).
102. When TUPE regulations apply, employees transfer on their existing terms and conditions (with limited exceptions). UK Government guidance states that the regulations provide limited protections for occupational pension rights.²⁶
103. Scottish Government officials stated that it was for SFC and SDS to take a view as to whether TUPE applies, not the Scottish Government.³
104. In response to the call for views, SDS estimated that costs for the direct transition of their responsibilities to SFC could potentially be in the region of £40-50 million, with potential risk for "further significant annual increases in programme costs associated with this Bill."²⁷
105. When giving oral evidence to the Committee on 7 May, SDS Chief Executive, Damien Yeates suggested that transition costs would be "potentially £30 million".¹³ He added that, in his view, an anticipated £30 million cost to transition £100 million in apprenticeship funding "feels like a lot of effort for small gains".¹³
106. At the same meeting, SFC Chief Operating Officer, Martin Boyle expressed surprise at the £30 million figure.¹³ In subsequent correspondence with the Committee,

SFC stated that SDS would "engage only with the Scottish Government". SFC added that they recognised the costs set out in the FM, which indicates that the potential costs for pensions transfers alone could be as high as £23 million, but, without access to the details behind SDS's figures, they were unable to comment on them or provide alternatives. ²⁸

107. In his evidence to the Committee, the Minister stated that he did not believe that the Bill would cost as much as £30 million. ³
108. In response to a query as to whether SDS staff could retain their current pension arrangements after having transferred across to work at SFC, Scottish Government officials stated that this was a possibility, however, they added that it was not for the Scottish Government "to say what the future terms and conditions would look like." ³
109. The Committee is very concerned by the lack of clarity on potential costs in general, but for the pensions transfer costs in particular. The lack of certainty as to what pensions arrangements could be in place for the new SFC staff cohort, and to what extent, if any, they will be impacted by TUPE, has also been a cause of frustration.
110. In his evidence to the Committee, the Minister expressed his disappointment that the Scottish Government had been unable to provide firmer costings. He committed to providing more detailed information ahead of the Stage 1 debate on the Bill. ³
111. Some organisations, including Unite the Union and PCS called for stronger leadership from the Scottish Government, to help manage relations between SDS and SFC, to enable more progress to be made in preparation for a transition, should the Bill become law.
112. John Lewis, Scottish Funding Council Workplace Representative for Unite the Union stated:

” The Scottish Government will need to provide impetus to drive the process forward, and strategic leadership will need to be provided in both organisations so that engagement takes place and permission is given, in effect, for the operational staff to engage to look at how things will work on a day-to-day basis. ²¹
113. Costs in the FM associated with the remaining provisions in the Bill are estimated to be minimal. The remaining provisions in Part 1 of the Bill are estimated to range from £8,000 and £51,000 in 2026-27, rising to between £17,000 and £110,000 by 2030-31.
114. For Part 2 of the Bill, which makes reforms to the governance arrangements of SFC, the FM sets out costs ranging from savings of £48,000 to a cost of £33,000 for 2026-27. For 2030-31, savings of £110,000 or costs of up to £60,000 are estimated. The differences in costings are down to factors such as the number of co-opted members recruited to the SFC Board, the number of meetings of committees, and the costs of recruitment.
115. Part 3 of the Bill puts into legislation a mechanism for private providers of further and higher education to become 'designated providers' approved for the purposes

of student support. Costs arising from this part of the Bill are estimated to be between £6,400 and £15,000 in 2026-27, rising to £14,000 and £33,000 in 2030-31, with much of this falling on private providers applying for status as 'designated providers'.

116. Many organisations, including RSE and unions, highlighted that achieving the changes proposed in the Bill would cost money and take focus, at a time of “significant financial pressure on public services”¹⁷ Many, including staff unions, expressed concern that, beyond the costs for the transition team, there seemed to be no additional resources to support the change process. John Lewis, Scottish Funding Council Workplace Representative for Unite the Union, stated:
- ” The financial memorandum implies that the process will be done within existing resources, which might include transferring budget from SDS to the Funding Council. Substantially more resources would be required, not just for TUPE transfers and pension deficits that might need to be plugged, but for staff training and development in both organisations as a result of the transfer and the restructuring that would occur in the aftermath of it.²¹
117. In its response to the call for views, the SFC was clear that “proceeding without additional investment in the public bodies leading this reform will create significant risk to the success of this project.”²⁹
118. Universities Scotland also expressed concern that there would not be adequate resources:
- ” Our experience is that, even before the Bill is implemented, universities are experiencing incidences of the Council delaying actions due to insufficient capacity.²²
119. Despite 148.4 and 174.6 FTE staff transferring to SFC, the FM indicates that additional accommodation costs will range from nil, with the increased staff being absorbed into the existing SFC estate, to £300,000 which would provide additional capacity for 20 people, at any given time, within Montith House in Glasgow, where SDS are currently based.
120. Given its suggestion that there could be a headcount of 238 staff transferring to SFC, SDS stated that the costs for additional office space were an “under-representation” of what was required.²⁰

121. The Financial Memorandum (FM) for a Bill should set out best estimates of the costs, savings, and changes to revenues arising from a Bill. Given that the final costs will depend on the exact staff members who are going to transfer to SFC, their grade, length of service etc., the Committee is conscious of the challenges involved in providing best estimates in relation to the Bill.

122. However, the Committee agrees with the view of unions and staff that they should have had a much clearer indication of who would be in scope to move between organisations by this point in the process. The Committee further notes that in

their evidence to the Finance and Public Administration Committee, SDS suggested a possible headcount of 238 staff would transfer to SFC.

123. The Committee heard that SDS had been less forthcoming, in relation to providing information that would allow the Scottish Government to provide best financial estimates on the Bill, than their counterparts at SFC and SAAS. The Committee would welcome further detail from SDS about the reasons for this, and how it plans to work constructively with the Scottish Government and SFC in future, to facilitate clarity on costs, in order to ease the transition process for SDS staff, should this Bill become law.

124. The Committee notes and is concerned by the significant costs that have now been suggested by SDS for the implementation of the Bill.

125. The expansion of the remit of SFC, with a significant increase in the number of staff, represents a huge change project. Given the range of responsibilities and issues that SFC is already managing, the Committee is concerned that delivering on these, along with its new responsibilities, and managing the associated change management programme, will require more resources than are currently being made available by the Scottish Government, and asks that the Scottish Government resolve this ahead of the Stage 1 vote.

126. The largest potential cost associated with this Bill is that for pension short-fall payments. Again, the Committee recognises that until specific staff have been identified, and an actuarial assessment has been made and accepted, the exact costs will not be known. However, given that this is the single largest cost, and, if SDS staff are to be moved to the civil service pension scheme, may also lead to recurring costs, the Committee is concerned that the Scottish Government still does not have a clear picture of the costs likely to be associated with implementing this Bill, including initial and recurring costs. The Committee is not clear whether it would be possible for SFC to maintain one or more additional pension schemes, to accommodate transferring staff from SDS and how this might impact overall costs. The Committee considers it essential that progress is made on this point before the Bill progresses further.

127. Although a fraction of the potential costs for pensions, the Committee is concerned that the FM also seems to underestimate the potential costs for accommodation. The Committee would welcome more detail about the Scottish Government's logistical plans for the expanded SFC, including where new staff will be working.

128. The Committee believes that more work should have been carried out by Scottish Government to accurately estimate costs in advance of the Bill's introduction. It is imperative that the Committee, and Parliament, has more accurate costings for the Bill ahead of the Stage 1 debate. The Committee welcomes the Minister's promise to provide those costings by that time.

Definition of a Scottish apprenticeship

129. The Bill sets up a new legislative framework, including a definition of Scottish apprenticeships. Section 4 sets out that a Scottish apprentice must be in paid employment, and that this employment must involve working for another person or organisation (and so excludes self-employed people from being considered apprentices).
130. To be considered an apprenticeship, the work must be in an occupation or activity which is included in a Scottish apprenticeship framework. The training that the apprentice receives must meet requirements set out in the relevant framework; for example, it cannot include employer-specific onboarding training.
131. The Bill requires that there is a clear agreement between the employer and the apprentice. The Bill provides the SFC with powers to issue guidance or set conditions of funding, which could be used to suggest or require the use of model apprenticeship agreements.
132. The Policy Memorandum notes that the Scottish Apprenticeship Advisory Board (SAAB) recommended a set of principles and guidance in their [Definition of an Apprenticeship](#) which received ministerial approval in 2019; and this is being updated by the short-life working group set up in 2024.
133. The PM adds that the definition of apprenticeship in the Bill has been shaped by engagement with SAAB and the short-life working group and the updated principles and guidance are expected to help to inform implementation.³⁰
134. In its written evidence, SDS stated that although the definition in the Bill is broadly consistent with the one developed by SAAB in 2019, SAAB had since identified several areas of improvement for this definition, none of which are captured by the Bill.¹⁴
135. These areas for improvement included:
- incorporating a commitment to National Occupational Standards (NOS) and the revised NOS Strategy
 - greater clarity around the development process for apprenticeships including self-funded developments
 - greater clarity on the role and application of core, generic and meta-skills
 - strengthened alignment to the Scottish Credit & Qualifications Framework (SCQF)

- agility and recognition of apprenticeship pathways which enable learners to transition from education to, and within, the workplace
 - consideration of how apprenticeships are used by employers to support talent strategies and workforce planning
 - off-the-job learning and guidance on minimum duration, apprenticeship agreements, mentoring, fast-track approvals and embedding equality.
136. During the Education, Children and Young People Committee meeting on 21 May, Paul Campbell, SAAB Employer Engagement Group Chair, stated that the definition in the Bill must be changed. He stressed that apprentices are employed and that the Bill must make that clear. Carolyn Currie of Women’s Enterprise Scotland and Vikki Manson of the Federation of Small Businesses concurred, arguing that “apprentices are employees and the Bill does not make it sound like they are”.²¹
137. Several organisations, including COSLA, individual local authorities and ITPs raised concerns that the Bill may impact negatively on foundation apprenticeships delivered in schools.
138. Aberdeenshire Council took exception to the Policy Memorandum statement that “foundation apprenticeships are unpaid and therefore not regarded as true apprenticeships by many stakeholders”³⁰, describing it as a very narrow interpretation of what an apprenticeship is.³¹
139. Aberdeenshire Council argued that, in its view, a local authority delivering a foundation apprenticeship would “unquestioningly” meet the definition for an apprenticeship, if it was accepted that “reward” does not have to constitute payment but could include the gaining of knowledge and skills and the development of meta skills.
140. When giving evidence on behalf of Aberdeenshire Council, Andrew Ritchie highlighted the successful outcomes that Aberdeenshire's foundation apprenticeships programme had achieved. By moving foundation apprenticeships from the apprenticeship family to "as yet undefined work-based learning courses", he argued that the Bill posed a risk that "foundation apprenticeships will be no more".⁸
141. East Ayrshire Education Service and RSE both questioned the role that SFC would have in relation to local authority-delivered foundation apprenticeships, given their remit in tertiary education. East Ayrshire Education Service stated that the Bill "endangers the provision of school-based qualifications and effectively places them solely in [further education] domain."³²
142. NHS Education for Scotland (NES) called for the Bill to ensure that foundation apprenticeships and related programmes of school and employer engagement continue to be developed and extended.³³
143. During the Committee meeting on 28 May, Scottish Government officials explained that:

- ” a significant number of employers do not like the term “foundation apprenticeships”, because, although a lot of worthwhile work and experience happens in those settings, it is not a true apprenticeship, as the person is not in paid employment.³
144. They stressed that the work of foundation apprenticeships is captured by the definition of work-based learning, adding that the Bill gives SFC powers to deliver work-based learning in a variety of ways, including via a model that is similar to what is in place now.³
145. Jon Vincent, representing Colleges Scotland, stated that it would be an "enormous loss" if foundation apprenticeships, particularly at SCQF level 6, lost their status as a result of the measures in the Bill, although he recognised that:
- ” we need to have a dividing line between something qualifying to be an apprenticeship and not qualifying. I do not think that it is helpful to use the strength of the brand with some qualifications that may not necessarily fully fulfil that definition.⁸
146. When giving evidence to the Committee, the Minister highlighted that work was currently underway in relation to foundation and graduate apprenticeships.
147. The Minister explained that the effectiveness of foundation apprenticeships and the wider vocational offering in schools was currently being assessed. He added that, while he agreed that the foundation apprenticeship offering in Aberdeenshire was excellent, it was not replicated across the country.³
148. In respect of graduate apprenticeships, the Minister stated that the Principal of Glasgow Caledonian University, Professor Steve Decent, has been leading on work looking at developing a more wide-ranging model that would be better aligned with the needs of the economy.³
149. Some apprenticeship programmes are managed by organisations. This could be an industry-related body or a college. Scottish Electrical Charitable Training Trust (SECTT) and SNIPEF Training Services (STS) are examples of these organisations, often termed 'managing agents'.
150. In their evidence, SECTT explained the activities that they undertake to support apprentices, including:
- arranging the enrolment of apprentices and adult trainees to all colleges
 - running pre-employment assessments
 - co-ordinating and timetabling the courses at colleges
 - providing the necessary teaching materials
 - paying college fees
 - providing training support to employers

- supplying them with all their required documentation
 - registering them on the OneFile system which tracks their journey from recruitment to qualification as an electrician.³⁴
151. SECTT suggested that managing agents be explicitly mentioned within the Bill in relation to the definition of an apprenticeship, “given their crucial role in managing, alongside the employer, the apprenticeship process, and the progress of the apprentices.”⁹
152. STS is the industry managing agent for the plumbing and heating profession in Scotland and responsible for overseeing the modern apprenticeship in plumbing and heating. They concurred with SECCT, calling for managing agents to have a “clear and secure legal framework for engagement with the SFC under the new arrangements.”³⁵
153. Similarly, in respect of the apprenticeship agreement that will be required as a result of the Bill, the Scottish Training Federation advocated for the inclusion of the training provider, stating that a “tripartite agreement between apprentice, employer and training provider ensures all parties are clear on their roles and responsibilities.”¹²

154. The Committee recognises the value that is placed on foundation apprenticeships by those that undertake and facilitate them. It further notes that there is currently a lack of clarity as to how SFC will work with local authorities to deliver foundation apprenticeships or other work-based learning, given that this would be a new function for SFC and that these organisations do not work together at present. The Committee would welcome further details of how the Scottish Government envisages this working in practice, ahead of the Stage 1 vote on the Bill.

155. The Committee also seeks reassurances from the Scottish Government that colleges and local authorities will be able to continue delivering foundation apprenticeships, should they wish to do so.

156. The Committee recognises the importance of the training provider in the delivery of an apprenticeship, and that both employer and apprentice are reliant on them, to be able to succeed. As such, the Committee can see merit in including the training provider within the apprenticeship agreement. The Committee would welcome the Scottish Government's view on the Scottish Training Federation's suggestion.

Scottish apprenticeship frameworks

157. Section 4 of the Bill also requires that the SFC must consider any request to prepare or amend a Scottish apprenticeship framework. The Scottish Ministers may make regulations to define the process to be followed by the SFC in responding to a

- request, the amount that the SFC may charge for a request, and the circumstances in which the SFC should waive the fee.
158. SECTT sought clarity as to whether SFC or Qualifications Scotland will be involved in developing the National Occupational Standards and the qualifications that are contained in the frameworks.⁹
159. In its response to the call for views SQA strongly suggested that Qualifications Scotland be given responsibility for framework development and associated functions. They contended that this would be in line with recommendations from the Withers Review, which stated that the new qualifications body should have a remit which includes the development of all publicly funded post-school qualifications and awards, including Scottish Vocational Qualifications, apprenticeship frameworks and the underpinning National Occupational Standards.¹⁸
160. In contrast, SDS stated that the current framework development process has been recognised by the OECD as a strong example of good practice for placing employers and apprentices at the centre of developing frameworks. They strongly advised against breaking up apprenticeship development and delivery, stressing that "maintaining all of the 'end to end' elements of apprenticeships (development, delivery, quality and enhancement) together is critical to future success."¹⁴
161. They added that further work was required by the Scottish Government regarding framework development, stating that its assumptions on the costs and processes involved "require extensive additional consideration."¹⁴
162. Many organisations sought to strengthen the involvement of employers throughout the Bill. SAAB called for this section of the Bill to specifically mention that the frameworks are to be prepared, published, amended or revoked, in conjunction with employers.³⁶
163. Both the Committee and the Economy and Fair Work Committee heard about the need for more graduate apprenticeship frameworks.
164. Susan Love, Strategic Engagement Lead at the Association of Chartered Certified Accountants in Scotland told the Economy and Fair Work Committee:
- ” The system does not necessarily enable the quick development of a new GA framework. Why are there no GA [*Graduate Apprenticeship*] frameworks for some professions? What is holding things up? I do not think that the issue is demand. Is it capacity? Is it funding? One way to upscale massively is to increase the number of frameworks that exist.³⁷
165. Universities Scotland suggested that the approach to graduate apprenticeships be changed, so that they no longer need framework approval. They argued that this would enable programmes to be directly, and more quickly, developed between universities and partners, as they are able to rely on the “proven quality assurance mechanisms for the university sector”.²²
166. Scottish Chambers of Commerce raised concerns that the SFC has no business interface, stating graduate apprenticeships progress has “flatlined”.¹⁶

167. In respect of the fee that could be levied for the development of a framework, NES argued that resources needed to develop new frameworks or improve existing ones should be made available from the Scottish Government, so that employer input is not limited only to employers with the resources available to cover these costs. NES added that:

” In general, we would recommend aiming for the principle that payments via the Apprenticeship Levy should be sufficient to cover the total costs of apprenticeship use, including all aspects of provision, certification and development.³³

168. The Committee recognises that it is critical that apprenticeship frameworks strike the appropriate balance between the needs of the learners, training providers (including colleges and independent training providers) and those of employers. The Committee agrees with calls from employers that they continue to be heavily involved in the development of frameworks.

169. The Committee acknowledges calls for the development of more graduate apprenticeship frameworks to be prioritised, noting concerns from witnesses about flat-lining progress in recent years. The Committee also notes that work is currently underway, under Professor Steve Decent, looking at graduate apprenticeships and how they might be improved. The Committee asks for more detail about this work, including timescales.

Scottish apprenticeship certificates

170. Section 4 also provides that, where the SFC is satisfied that an individual has completed a Scottish apprenticeship, and where a certificate is requested, the SFC may issue a certificate. The Bill also states that the Scottish Ministers may make regulations setting out the process for requesting and receiving a certificate, and the amount that the SFC may charge for this.

171. The Policy Memorandum explains that, at present, training providers pay for a service called MA Online to register and obtain completion certificates for modern apprenticeships.

172. The Policy Memorandum states that the provisions in the Bill will allow that to continue, however, it adds that:

” it was considered that there is a benefit in the SFC, as the body who will secure and monitor apprenticeship provision in future, being able to certify that an individual has completed a Scottish apprenticeship. One reason for this is that it allows flexibility in the future evolution of apprenticeships and the potential emergence of new types of apprenticeship.³⁰

173. Although the provisions relating to apprenticeship certificates were mentioned by comparatively few respondents to the call for views, those who did generally expressed concern about them. Key issues included:

- whether, under the Bill, the SFC will issue completion certificates for all apprenticeship types, including graduate apprenticeships
 - whether SFC would use the current hub-and-spoke model for certifying modern apprenticeships, with the Skills Federation in a co-ordinating role and Sector Skills Councils acting as certification bodies
 - if not, will these organisations still be able to provide support services that are currently cross-subsidised by the income generated from certification.
174. At present, foundation apprenticeship completion certifications are issued by the Scottish Qualifications Authority (SQA), as all components are based on SQA products; and graduate apprenticeships are certificated by the relevant Higher Education Institution (HEI). As the Bill does not use the terms, foundation apprenticeship, modern apprenticeship or graduate apprenticeship, the SQA argued that it could be inferred that SFC would be able to issue completion certificates for all apprenticeship types, not only modern apprenticeships.
175. UK Fashion and Textile Association Ltd and the Skills Federation strongly advocated for the continuation of the current certification process for modern apprenticeships, stating that it worked well. Both raised concerns that transferring certification to another, inexperienced body would potentially complicate and slow down the certification process as any sector related query would have to be clarified with the original body.³⁸
176. Given that the Skills Federation developed, owns and maintains the MA Online system, the organisation queried whether there was a plan to move staff and the system to the Scottish Funding Council (SFC) and, if this was the case, whether TUPE would apply.³⁹
177. The Skills Federation also highlighted that there are 66,500 active apprentices registered on MA Online at present and that “comprehensive arrangements would need to be developed to ensure that providers are able to easily claim certificates for this group of learners either through retaining the current system for existing learners or moving records to a new system.”³⁹
178. SQA concluded that it was:
- ” not clear that the transfer of responsibility for certification of MA completions to the SFC is in the best interests of either providers or apprentices, given there is an established independent platform.”¹⁸
179. However, they suggested that, if the aim was to bring MA Completion Certification into the public sector, Qualifications Scotland could perform the role as SQA (soon to be Qualifications Scotland) issues certificates for most qualifications achieved as part of modern apprenticeships.
180. SQA acknowledged that modern apprenticeships can also include qualifications from other awarding bodies. Therefore, if a move to SQA / Qualifications Scotland presented too many challenges, there was a “strong case for maintaining the status quo.”¹⁸

181. Enginuity expressed concern that wider services may be put at risk if sector skills bodies lost the income from certification. These services include raising awareness of qualifications and frameworks to employers and convening stakeholders from across the supply chain of their sectors. ¹⁰
182. The Policy Memorandum explains that the current arrangements can continue under the Bill, and there is no mention in the Financial Memorandum regarding a transfer of responsibility for MA Online from the Skills Federation to SFC, so it appears that the status quo will be maintained regarding the issuing of certificates, and that the measures set out in the Bill are more about accommodating potential changes in the future.
183. A few organisations also raised concerns about the provisions relating to charging for certificates.
184. In its response to the call for views, NES stated that the Bill should avoid placing an expectation on employers to cover costs that are currently covered by training providers' funding allocations, specifically citing the example of additional charges for apprenticeship completion certificates. ³³
185. The Policy Memorandum explains that, currently, training providers pay to obtain a completion certificate for modern apprenticeships and that the Bill would allow this to continue. However, particularly in the case of larger employers who have many apprentices, it states that it may be administratively more convenient for the apprentice and the employer, for the employer to make applications for certificates. This provision would allow for this. ³⁰

186. The Committee notes the concerns expressed by the Skills Federation, Skills Sector Councils and others regarding the provisions in the Bill which would allow SFC to issue completion certificates.

187. While acknowledging that the Bill provisions are designed to accommodate potential evolution of the apprenticeship offer in the future, the Committee would welcome clarification from the Scottish Government as to how completion certifications will be issued for apprenticeships and work-based learning, in the short- to medium-term.

Funding for apprenticeships and work-based learning

188. Section 5 of the Bill gives the Scottish Ministers the power to make grants to the SFC for the purpose of securing the delivery of Scottish apprenticeships and work-based learning. Work-based learning is an activity which takes place in a working environment, and is on the basis of a work-based learning agreement.
189. The SFC will be responsible for administering all grants made to it for these

- purposes by the Scottish Government, and the SFC will be able to make grants, loans or other payments to a training provider relating to the delivery of Scottish apprenticeships or work-based learning.
190. SDS, SAAB, independent training providers, Scottish Chambers of Commerce and many others expressed considerable concern that the Bill will not safeguard funding for apprenticeships. They suggested that, as a result, there is a risk that the SFC could re-purpose apprenticeship funding to plug holes in other areas within their remit, for instance universities funding.
 191. To combat this, UNISON Scotland called on the Scottish Government to ring-fence funding for apprenticeships.²⁴ The Institute of the Motor Industry agreed, recommending a "clear and protected space for apprenticeship policy and funding within the SFC."⁴⁰
 192. Jon Vincent, giving evidence on behalf of Colleges Scotland, argued that ring-fencing funds for apprenticeships could be counterproductive, pushing demand to funds which were time-limited.⁸
 193. When challenged on the issue, Chief Operating Officer of SFC, Martin Boyle, insisted that not only would apprenticeship funding not be diverted to universities, but it could not be. He stated that the Budget would be clear as to allocations for each area, and it would not be possible to transfer between budgets, as is the case at present.¹³
 194. He added that the letter of guidance from the Scottish Ministers would also set out the Scottish Government's priorities for SFC in relation to apprenticeships, colleges, universities, and work-based learning.²⁸
 195. In correspondence, following his evidence session in front of the Committee, the Minister confirmed this, stating that the Bill's provisions allow Ministers to be "very clear about the specific purposes for which apprenticeship and work-based learning funding is to be used, and the SFC must use that funding only for those purposes."⁴¹
 196. Universities Scotland and University of Stirling advocated for more flexibility and opportunities within the Bill to fund and support apprenticeships but also wider accredited work-based learning.⁴²²²
 197. In its evidence CBI stated that, given the demographic challenges facing Scotland and the economic opportunities that it currently has, the Bill must ensure an expansion of apprenticeships, which is designed in partnership with agencies and employers.⁴³
 198. Organisations, including SAAB, Aberdeenshire Council, SDS, employers and some training providers, repeatedly told the Committee and the Economy and Fair Work Committee that the demand for apprenticeships, be they modern, graduate or foundation, outstrips supply.
 199. Phiona Rae of Tullos Training Ltd highlighted that this was not the case in every sector. She explained that, in her experience, employers in areas such as business administration and plumbing are struggling to actively recruit apprentices this year,

something that she suggested was down to schools not promoting the apprenticeship option enough.⁸

200. Paul Sheerin, of Scottish Engineering, expressed concern about figures in the Financial Memorandum, which suggest potential apprenticeship-related efficiencies of approximately £9.1 million from 2027-28 to 2030-31, when current funding is not meeting demand.¹⁵
201. The most recent data from Skills Development Scotland shows that there were 25,507 modern apprenticeship starts in 2024-25.⁴⁴ Frank Mitchell, Chair of SDS, told the Economy and Fair Work Committee in March that demand is currently about 35,000.⁴⁵ When giving evidence to the Committee in May, SDS Chief Executive, Damien Yeates, went further, stating that "60 to 80 young people apply for every apprenticeship place, and demand is upwards of 40,000 places from business."¹³
202. The Federation of Small Businesses (FSB) advocated that the Bill include a statutory requirement to increase the number of apprenticeships year-on-year.⁴⁶ SDS explained that targets for apprenticeships are a feature of international legislation, including in England where there are minimum targets for apprenticeship delivery aligned to policy areas.¹⁴
203. In his evidence to the Committee, the Minister praised the "strong foundation" that had been created for the apprenticeship programme, and stressed that the Scottish Government aimed to build on that, not to "diminish the offering".³
204. Both the Education, Children and Young People Committee and the Economy and Fair Work Committee heard about the key role that independent training providers (ITPs) play in the delivery of modern apprenticeships. Many contributors, including the Scottish Training Federation, noted that, over each of the last five years, of the direct modern apprenticeship contracts issued by SDS—
 - 71% went to ITPs
 - 20% to employers and
 - 8% to colleges.¹²
205. The Committee received evidence that ITPs can be more flexible, and better aligned with specific industry needs in terms of access to technology and equipment. Many, including the Scottish Training Federation, highlighted that apprentice achievement rates for ITPs and employers are significantly higher than for colleges. In 2022-23, the achievement rate for colleges was 64 per cent. For ITPs and employers, it was 74 per cent.¹²
206. In relation to funding, independent training providers raised several concerns, including—
 - the Withers Report recommendation, for the Scottish Government to consider a colleges- and universities-first approach regarding the allocation of funding for learning and training provision, including apprenticeships, and the potential

impact this could have on ITPs;

- SDS contribution rates, which have not increased in at least eight years; and
- ITPs currently receive less funding than colleges to deliver modern apprenticeships.⁸

207. In his evidence to the Committee, the Minister insisted that the Scottish Government was committed to maintaining the mixed delivery model for apprenticeships, stating that the Scottish Government believed that the "best interests of the learner and the employer would be better served by a mixed economy of private and public training providers."³
208. Provisions within this Bill will insert sections 12D and 12J into the 2005 Act. Sections 12D and 12J provide for the SFC to "make grants, loans or other payments to a training provider in respect of expenditure incurred or to be incurred by the provider..." in relation to Scottish apprenticeships, work-based learning and national training programmes.
209. In its response to the Committee's call for views, SDS stated that it was the view of its legal team that, "there is a high risk that a court would interpret this as excluding payment for any profit which would appear to rule out commercial organisations from being awarded apprenticeship contracts as is currently the case."¹⁴ Thereby undermining the mixed economy of private and public training providers.
210. Universities Scotland also sought more clarity around section 12J, however, they called for certainty either from the Minister or on the face of the Bill that a 'post-16 education body' could be a 'training provider' in relation to these provisions.²²
211. Several organisations, including STS and SDC-Learn, highlighted that the contribution from SDS had remained at the same level for at least eight years and has therefore been eroded by rising costs.³⁵
212. Many, including SECTT, called for the contribution rate to be revised, to ensure it reflects the cost of delivery and to make more costly programmes, such as those in Building Services Engineering (Construction), financially viable for sector training providers to offer.⁹
213. In its evidence, CITB stated that Construction modern apprenticeships cost £30 million to deliver. SDS contributes £9 million and the remainder is funded by employers, via the CITB levy.⁶
214. This is a levy which is in addition to the UK Government's apprenticeship levy,³⁷ which is a tax paid by employers who have an annual pay bill of more than £3 million. The amount paid is 0.5 per cent of their annual pay bill.⁴⁷
215. Kellie Zdanowicz of the Scottish Training Federation told the Economy and Fair Work Committee that the organisation believes that the apprenticeship levy should be completely spent on apprenticeships.³⁷ SECTT argued for the revenue to be ring-fenced, but more broadly, for investment in skills.⁹

216. Contributors to the Economy and Fair Work Committee inquiry also highlighted that funding for certain apprenticeships is higher in England than it is in Scotland. Stevie Wilson, Global Apprenticeship Manager at the SCORE Group explained that while funding for an engineering apprenticeship is approximately £10,000 in Scotland, it is approximately £27,000 in England.⁴⁸
217. The Minister stated that the Scottish Government does not know how much is currently raised in Scotland by the apprenticeship levy as the UK Government no longer provides this information, instead the Scottish Government receives "a relevant amount in the block grant."³
218. The block grant is funding for the Scottish Budget, calculated based on UK Government funding. The block grant is not identified by department, and is not ring fenced for certain areas, as decisions on spending are for the Scottish Parliament.
219. Although, initially, the UK Government provided illustrative figures for apprenticeship levy funding from Scotland, these figures were forecasts. The Scottish Government last received a breakdown of the figure for 2019-2020, when it was due to receive £239 million from the levy.⁴⁹ The funding is now baselined into the block grant.
220. As highlighted in the section 'Scottish apprenticeship frameworks' NES argued that the apprenticeship levy should cover all the costs involved in delivering an apprenticeship.³³
221. In his evidence to both this Committee and the Economy and Fair Work Committee, Paul Campbell, Scottish Apprenticeship Advisory Board (SAAB) Employer Engagement Group Chair, stated that for every £1 in public funding invested in apprenticeships, employers contribute approximately £10.²¹
222. Independent Training Providers (ITPs) raised concerns that colleges have more funding to deliver modern apprenticeships, and called for training providers to be given the same funding as colleges.⁵⁰
223. Although the contribution from SDS varies between apprenticeship frameworks, for instance the contribution for a plumbing and heating apprenticeship is £8,700 whereas £10,800 is provided towards an engineering apprenticeship,⁸ the contribution is the same, regardless of whether the apprentice is with an independent training provider or at a college.
224. Although the SDS contribution rate is the same, Phiona Rae, from Tullos Training Ltd, stated that colleges receive between £2,800 and £5,200 more funding per apprentice through the SFC. ITPs do not receive this SFC funding and, therefore, should they need additional funding, it has to come from the employers.⁸
225. When asked about this additional funding, both Colleges Scotland and SFC explained that these were illustrative figures provided to the Scottish Government, for a workshop it held with Colleges Scotland, managing agents, SFC and SDS. Colleges Scotland added that the figures were "intended as a starting point to understand the overall funding available for MAs [*modern apprenticeships*] and the true cost of delivery."⁵¹

226. Both Colleges Scotland and SFC noted that the SDS contribution does not cover the full cost of delivering and assessing an apprenticeship. As with ITPs, the flat rate of contribution means that apprenticeships within some frameworks are becoming more and more difficult for colleges to deliver.⁵²
227. Jon Vincent explained that colleges sometimes charge an employer fee to bridge the gap, however, they are able to use their SFC funding, "where required" to supplement the SDS contribution across several frameworks and sectors.⁸ In written evidence, Colleges Scotland stated:
- ” It is difficult to compare independent training providers and colleges; they have a different breadth of mission, cost bases, and delivery models. Colleges’ utilisation of teaching funding helps to ensure that they can compete for MA [*modern apprenticeships*] contracts and makes the delivery of MAs an economically viable option for colleges. Colleges’ ability to secure MA contracts is important to ensure there is sufficient provision for learners and employers.⁵¹
228. The Scottish Training Federation highlighted the difference in the way that modern apprenticeships are funded, compared to much of Higher and Further Education provision. They noted that apprenticeship funding is allocated upon the achievement of measurable outcomes. They added that funding is end-loaded, with as much as 50 per cent of funding withheld until completion of the apprenticeship.
229. They contrasted this with other provision, which they stated was less tied to outcomes, arguing that Higher and Further Education can place more emphasis on promoting learner development and the learner journey. While arguing that the link to measurable outcomes should be maintained, the Scottish Training Federation believed that placing more emphasis on promoting the whole learner journey would be beneficial.¹²
230. Nicola Jackson, a UNISON Steward at Skills Development Scotland, agreed that SDS is driven by outcomes whereas SFC takes what she described as "a more light-touch approach." She sought reassurance that the "same rigour and accountability" will still apply when apprenticeships become the responsibility of SFC.²¹
231. Local authorities, including Comhairle nan Eilean Siar queried whether SFC would have a mechanism, through the Bill, to fund local authority provision of modern and foundation apprenticeships, as SDS has been able to. The Comhairle raised concerns that the cessation of this funding would terminate its "very successful direct delivery of apprenticeships."⁵³
232. It is clear from the evidence received by the Committee that the funding of apprenticeships has historically been quite opaque, which has led to a lack of clarity for those who are delivering or using the programme.
- 233.
234. The Committee understands the concerns from employers, unions, training

providers and others that moving apprenticeships under the responsibility of SFC may risk apprenticeships having a lower profile or losing funding, given SFC's historical focus on higher and further education.

235. The Committee notes the evidence from SFC that funding allocations for apprenticeships would not be spent on colleges or universities as it would not be possible to reallocate funding in this way. However, the Committee also understands that there have been in-year transfers from some demand led programmes to support struggling institutions. The Committee therefore asks the Scottish Government to clarify this transfer, and set out how it would be different, in the context of protecting apprenticeship funds.

236. The Committee acknowledges that demand for many apprenticeship places outstrips supply and the calls for the Scottish Government to increase the number of apprenticeships available. While noting the evidence from SFC, the Committee asks the Scottish Government to set out the measures it will take to ensure that apprenticeship funding will be protected within the auspices of the SFC budget to ensure that it cannot be diverted or used for other purposes.

237. The Committee notes the comments from Skills Development Scotland regarding the wording of section 12D and both Skills Development Scotland and Universities Scotland's comments in relation to section 12J, which this Bill will insert into the 2005 Act. While the Committee recognises the Scottish Government's commitment to maintaining a mixed economy of provision, the Committee would ask the Scottish Government to consider whether the current phrasing in the Bill will ensure that such a mixed economy will continue in future.

238. The Committee believes that greater transparency is required regarding the funding of apprenticeships, and this should include information about funding provided per apprenticeship place. The SFC currently provides considerable detail on its funding allocations to colleges and universities. The Committee recommends that the same level of detail currently provided by SFC for college and university allocations should be provided for apprenticeships.

Managing agents

239. As set out in the section 'Definition of a Scottish apprenticeship', some apprenticeship programmes are managed by organisations called managing agents, whose responsibilities include managing the required administration involved in apprenticeships as well as providing support for the apprentices and employers. Managing agents are also known as lead providers. Their role has been raised by several contributors during the Committee's scrutiny of the Bill.

240. While praising the work of industry bodies who operate as managing agents on behalf of SMEs, Jon Vincent, representing Colleges Scotland, queried whether SDS had scrutinised the financial model for managing agents to establish whether it provided best value for public investment.⁸
241. In his evidence to the Committee, the Minister stated that he had long-standing concerns about the role of some managing agents, specifically where managing agents sub-contract training to a college for less than half of the value of the SDS contribution, at which point, the college utilises credits to deliver the training. In such examples, the Minister said that the public purse is effectively being charged twice.³
242. Stephanie Lowe of SNIPEF told the Committee that SNIPEF Training Services (STS) retain 40 per cent of the SDS contribution, to help cover the costs of their role.⁸
243. In England, managing agents can retain a maximum of 15 per cent.³ In Wales, the figure is capped at 10 per cent,³⁷ and the agent has to be a registered charity.³
244. The Minister suggested that colleges could come together to perform the role of managing agent, so that more money could remain within the public sector.³
245. However, some respondents were less keen on this suggestion. UK Fashion and Textile Association Ltd asked that the Bill ensure that ITPs could access delivery contracts without the need to work with a college "who takes a percentage of the funding for managing a contract."³⁸
246. Stephanie Lowe expressed frustration that colleges were taking on the role. She argued that managing agents, such as STS, provided more industry specific support, to both apprentices and employers.⁸
247. Following the oral evidence sessions, the Committee received correspondence from SNIPEF⁵⁴ and SECCT³⁴, regarding their roles as managing agents. Both objected to what was described as a "fundamental misunderstanding or mischaracterisation of the managing agent role" during the Committee evidence sessions.⁵⁴
248. They highlighted that, in their cases, they are not-for-profit organisations, and set out the extensive work that they do to guide and mentor apprentices, adult trainees and their employers through apprentice training programmes³⁴; as well as setting out the oversight to which they are subject to.
249. In correspondence with the Committee, SDS explained that it currently contracts with three lead providers: SNIPEF, SECCT and CITB. Between them, they manage approximately 10 per cent of apprenticeship starts.⁵⁵
250. SDS argued that, although these organisations retain some of the contribution, it would be incorrect to view this as a 'management fee', as it is used to cover the "actual costs of delivery and support for core activities required to deliver a successful apprenticeship."⁵⁵

251. SDS went on to say that, as funding is provided on the completion of outcomes, lead providers may carry the risk of apprentices not completing with any sub-contractor that they use. They also noted that these agents lever in private sector investment to support apprenticeship delivery, for instance through methods such as the CITB levy.⁵⁵

252. The Committee notes the evidence it received in respect of the role of managing agents and acknowledges that many managing agents / lead providers deliver valuable support to apprentices and employers. However, it would welcome clarification from the Scottish Government as to how it plans to ensure managing agents receive appropriate guidance under the new arrangements set out in this Bill.

Information sharing

253. The 2005 Act includes duties on various bodies, including those in receipt of SFC funding (the "fundable bodies") to provide information to the SFC to support the exercise of the SFC's functions.

254. Section 6(2) of the Bill modifies the 2005 Act to create a new duty on persons receiving SFC funding under the new National Training Programme (NTP), Scottish apprenticeship, or work-based funding to provide information to the SFC. Such information may only be requested in connection with the SFC-funded training or education provided by that person.

255. Section 17(1) of the 2005 Act requires that the SFC provide information and advice to the Scottish Ministers in relation to further and higher education. Section 6(3) of the Bill expands this provision to cover NTPs, Scottish apprenticeships, and work-based learning.

256. Colleges Scotland and Sir Paul Grice of Universities Scotland asked for clarity as to what the obligations would be, to ensure that it would be manageable, not only for organisations to collect and provide the information, but also for the SFC to be able to consider said information.⁸

257. Organisations, including University of Stirling, suggested that these measures presented opportunities for data sharing. Highlighting the example of widening access targets, the University argued that the sharing of data could "lead to enhanced student engagement and an ability for universities to offer greater targeted student support."⁴²

258. In May 2025, the Committee published its [Widening Access to Higher Education inquiry report](#). Among its recommendations, the Committee asked the Scottish Government to set out how it will take forward plans to introduce Free School Meals data as a widening access measure at a national level, including timescales and any legislation required, and to work with the Information Commissioner's Office as a matter of urgency, on any potential data protection challenges to this.

259. In its response to the call for views, Universities Scotland asked whether the Bill

could provide a vehicle for addressing statutory obstacles to data sharing.²²

260. The Committee urges the Scottish Government to provide clarity regarding the information that might fall under these provisions; and reassurance that the SFC will have the capacity to receive, process and analyse the information required, in line with current data protection legislation.

261. The Committee draws the Scottish Government's attention to its Widening Access to Higher Education inquiry report, in particular, its recommendations that the Scottish Government:

- sets out how it will take forward plans to introduce Free School Meals data as a widening access measure at a national level, including timescales attached to this work and any legislation required
- work with the Information Commissioner's Office as a matter of urgency, on the potential data protection challenges of this.

262. The Committee asks the Scottish Government to consider whether this Bill offers an opportunity to address any obstacles to data-sharing.

Notifications to the Council by post-16 education bodies

263. Section 7 inserts new section 14B into the 2005 Act. This new section enables the Scottish Ministers to set out in regulations certain matters that must be notified to the SFC by post-16 education bodies.

264. The Bill's Explanatory Notes set out that the intention of this is to:

” ... require notification where there is potentially serious jeopardy to a post-16 education body, for instance an external threat such as a cyberattack, or a material change in their circumstances such as a rapidly worsening financial situation.⁵⁶

265. Responses from the University of St Andrews, University of Stirling and Universities Scotland all highlighted the need for the measures on notifications to be clearer. They called for examples of what the threshold for notifications would be and sought reassurance that any requirements would be cognisant of the existing reporting requirements in place for HEIs, to avoid duplication.

266. For instance, at present, the accountable officer of an institution is required to “inform SFC’s Accountable Officer without delay of any circumstance that is having, or is likely to have, a significant adverse effect on the ability of the institution to deliver its education programmes, research and other related activity, including

delivery of its Outcome Agreement with the SFC".²² Universities Scotland and University of Stirling queried whether additional information would be captured by the provisions in this Bill.

267. In correspondence following his appearance before the Committee, the Minister emphasised that this section is relevant where there is "potentially serious jeopardy to post-16 education bodies or to the SFC's ability to perform its functions."⁴¹
268. He also highlighted that there would have to be consultation with the SFC, post-16 education bodies and other appropriate stakeholders when regulations made under these provisions were being prepared. The resulting regulations would also be subject to the affirmative procedure and would therefore have to be agreed by Parliament before they could come into force.
269. In addition, the Minister stated that the Scottish Government was looking to provide further "suitable reassurances" to stakeholders, including Universities Scotland.⁴¹

270. The Committee understands that there are existing requirements on accountable officers of institutions to provide the kind of information that is likely to be sought under these measures.

271. The Committee notes requests from Higher Education Institutions to the Scottish Government to provide further clarity on the intention of these measures, the types of information that is to be collected and when this must occur. The Committee therefore calls on the Scottish Government to provide such clarification ahead of its Stage 2 scrutiny.

Additional powers for the SFC

272. The Bill contains provisions which allow the SFC to make recommendations and issue guidance to fundable bodies. The Bill will also require the SFC to monitor the financial sustainability of post-16 education bodies.
273. In its call for views, the Committee asked collectively about these additional powers.

Recommendations to fundable bodies

274. Section 15 of the 2005 Act gives a power to SFC to arrange studies to improve "economy, efficiency and effectiveness" of management or operations of fundable bodies. It also sets out that the fundable body must provide relevant information to a person carrying out such a study. This may include accounts and other documents.
275. Section 8 of this Bill inserts provisions into section 15 of the 2005 Act stating that:
- a study may include consideration of how student needs and interests are being met

- the SFC may issue recommendations to the fundable body following a study
 - recommendations may be published by SFC.
276. Concerns were raised by organisations including Higher Education Institutions, the RSE and EIS regarding these provisions.
277. The University of St Andrews and Universities Scotland called for more clarity regarding the thresholds at which efficiency studies would be conducted, and what the scope of the studies could be. They also called for more definition as to the meaning of 'the needs and interests of students', with the University of St Andrews noting that learner interests are not always aligned with efficiency.²³
278. EIS expressed concern about the use of efficiency studies leading to colleges with socio-economically disadvantaged students being penalised.⁵⁷
279. RSE urged more consideration of these provisions, fearing that they could have "broader, and perhaps undesirable, implications for institutions, for example in determining the provision of programmes."¹⁷
280. The Office of National Statistics (ONS) is currently reviewing the statistical classification of university transactions. The focus of this is to use data from the Higher Education Statistics Agency (HESA) to classify the main income sources of UK universities.
281. In its evidence, Universities Scotland highlighted that, following this, there will be a further review to establish whether universities are subject to public sector control. They expressed their concern about the potential impact of legislation which gave the Scottish Government and SFC a level of power and responsibility over universities which threatened their autonomy and their current ONS classification.²²

282. The Committee notes the concerns about a lack of clarity in this section, and the potential, unintended consequences of that.

283. The Committee recommends that the Scottish Government provide more clarity as to the meaning of 'the needs and interests of students', the threshold at which efficiency studies would be conducted and the expected outcomes of such studies.

Financial sustainability of post-16 education bodies

284. Section 9 of the Bill inserts a new section 15A into the Further and Higher Education (Scotland) Act 2005. This includes a new duty on the SFC to secure the monitoring of financial sustainability of post-16 education bodies.
285. The Scottish Ministers will be able to request information and advice from the SFC

in relation to the financial sustainability of post-16 education bodies and the SFC must provide that information when requested. The SFC can also provide this information and advice whenever they consider it to be appropriate. The Policy Memorandum states:

” ... this is necessary because unforeseen circumstances may arise of which the Scottish Ministers might otherwise be unaware (and so would not know to enquire).³⁰

286. The financial sustainability of institutions was repeatedly raised as the most significant challenge that they currently face.⁸ It was recognised that the Bill will not address this issue, although these provisions are designed to ensure that the SFC and, as a consequence, the Scottish Government, is sighted on concerns, should they emerge.

287. These proposals were generally supported, although some witnesses expressed reservations.

288. CBI stated that the measures were positive, describing the monitoring of financial sustainability as essential to maintaining the quality and accessibility of education and training.⁴³

289. Energy & Utility Skills Ltd were also in favour of the provisions, stating that:

” Coherent, comprehensive and transparent support for post-16 education bodies should add stability to the system and allow providers to plan better, and also support value for money in the longer run.⁵⁸

290. SFC explained that they already perform this function, and the Bill would put these responsibilities into statute. In his role as Interim Chair of Universities Scotland, Sir Paul Grice set out the financial information that he is required to provide to the SFC as the Principal, and accountable officer, of Queen Margaret University, noting:

” As the accountable officer, I regard it as my absolute duty to ensure that those reports are fair and accurate.⁸

291. Sir Paul Grice added that accountable officers are also required to tell the SFC if they have any reason to believe that their universities are not able to deliver the education that they are required to. While acknowledging that the current arrangements had not always worked in practice, he regarded the framework to be "pretty good and robust".⁸

292. However, when giving evidence to the Committee on the financial situation at the University of Dundee, the former Chief Operating Officer and University Secretary, Jim McGeorge, and the former Director of Finance, Peter Fotheringham, both stated that they did not report a breach of the banking covenant to the SFC as they did not know that the University was required to do so.⁵⁹

293. The former Principal at the University of Dundee, Professor Iain Gillespie, told the Committee that he was similarly unaware, describing his knowledge of the breach and his responsibilities as the institution's accountable officer as "very poor and very weak."⁶⁰

294. The [SFC Code of Good Governance](#) is clear that the Principal is the designated officer in relation to compliance with SFC's Financial Memorandum, stating:
- ” The Principal is the designated officer in respect of the use of Scottish Funding Council funds and compliance with that Funding Council's Financial Memorandum. The Principal must alert the governing body if any actions or policy under consideration would be incompatible with the terms of the Financial Memorandum. If the governing body nevertheless decides to proceed, then the Principal has a duty to inform either the Chief Executive of the Scottish Funding Council, or other appropriate officer.⁶¹
295. The Committee believes that it is imperative to understand how widely known these responsibilities are to accountable officers in institutions across the country. It is important to understand whether the lack of awareness at the University of Dundee is also the case at other institutions.
296. Colleges Scotland and Universities Scotland stressed that there must be capacity within SFC to receive and adequately process the information that is being shared by fundable bodies.
297. Colleges Scotland suggested that the proposals set out in the Bill offer an opportunity to look at the information that is currently being requested across the sector, how it is being used to inform decision making and whether any changes are required to ensure that the data being collected is useful and also not too onerous on institutions.⁷
298. They added that data collection requirements should be consistent so that private training providers are subject to the same scrutiny as colleges.⁸
299. Sarah Dalrymple of SCD-Learn and Phiona Rae of Tullos Training Ltd stated that any suggestion that ITPs were not audited was incorrect. Both explained that they were audited by SQA and SDS and agreed that, were more funding to be made available, they would follow any accompanying reporting requirements. Sarah Dalrymple did note, however, that ITPs were often small organisations which lack the manpower of colleges.⁸
300. When giving evidence to the Committee, Scottish Government officials explained that a training provider could range from one person delivering training to 10 apprentices, to a large organisation. Given that range, it would not be appropriate to have one oversight regime, applied to all.³
301. Universities Scotland asked for more detail on the proposals, arguing that there was “considerable uncertainty” as to whether the proposed powers and duties on monitoring financial sustainability will be effective and deliverable, as these are to be set out in regulations rather than the Bill itself.²²
302. The vast majority of college funding is from the public sector, from SFC. Recent reports from SFCⁱ and Audit Scotlandⁱⁱ recognise the worsening financial state of the sector, which saw a 17 per cent reduction in real-terms funding between 2021-22 and 2024-25.

i [Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26](#), published January

303. Against this backdrop, Colleges Scotland called for the Scottish Government to ensure that SFC not only has the power to monitor but also to address the financial sustainability of the sector.⁷ City of Glasgow College called for SFC to be able to act as a lender of last resort.⁴
304. UCU Scotland suggested that the SFC be enabled to take a more investigative approach to ensure that they can effectively identify and mitigate issues to prevent crises, citing the financial difficulties at the University of Dundee.⁶²
305. In its evidence, EIS argued that the SFC currently does not make the best use of the powers that it does have. They went on to say that, as such, SFC will need to be monitored to ensure that they are making use of any new powers.⁵⁷
306. UNISON Scotland argued that these provisions should have a greater focus on the longer term financial position of institutions, and oversight in relation to working conditions and fair work principles.²⁴
307. In their written evidence, PCS stated that while these provisions are well-intentioned, they fundamentally misunderstand how in-work apprenticeships are delivered, describing their applicability as "questionable". They added that provisions that created a risk that funding for a multi-year apprenticeship may be pulled mid-way through is "not supportive of learners and not conducive to encouraging the take-up of apprenticeships".¹⁹
308. In the [report of her Investigation into financial oversight and decision making at the University of Dundee](#), Professor Pamela Gillies stated that the SFC's Financial Memorandum with Higher Education Institutions and the Scottish Code of Good Higher Education Governance in Scotland are fit for purpose. She went on to say that while institutions are obliged to comply with the FM, the University of Dundee did not.⁶³
309. On 21 May 2025, the Auditor General published a report under [section 22 of the Public Finance and Accountability \(Scotland\) Act 2000 on the 2022-23 audit of Forth Valley College](#). The report:
- related to a procurement breach in relation to a college-run environment-themed project, totalling over £900,000 over the project's duration
 - covered an investigation into invoicing arrangements for the same project
 - outlined concerns around the governance and management of the project and
 - considered how the college responded to the issues it faced in relation to the project.
310. The Public Audit Committee (PAC) took evidence on the Section 22 report from the Auditor General for Scotland at its meeting on [4 June](#). The AGS stated that, given the significant financial challenges that the college sector is facing, he expects more

colleges to look at commercial or semi-commercial projects to help them deliver their objectives.⁶⁴

311. When giving evidence to the committee, the Minister acknowledged that some colleges wish to bring in more commercial income but lack knowledge and resources to do so. He stated that the Scottish Government was looking at what it could do to support colleges to realise this potential.³
312. Following its session with the Auditor General for Scotland [PAC wrote to the Committee](#) to highlight the evidence it had heard and its conclusion that the SFC should have an oversight role when colleges forge links with commercial companies.

313. The Committee asks the Scottish Government to set out how the financial sustainability provisions in the Bill will impact independent training providers and employers.

314. The Committee notes the Gillies report stated that the current Scottish Code of Good Higher Education Governance in Scotland and the SFC's Financial Memorandum with Higher Education Institutions are fit for purpose. However, the situation at the University of Dundee demonstrates the serious consequences of financial mismanagement and the importance of SFC being sighted on emerging issues.

315. The Committee acknowledges the evidence from Sir Paul Grice that Principals generally know their responsibilities as accountable officers. However, in light of the evidence from the University of Dundee, the Committee strongly believes that reassurances should be sought to ensure that all Principals, institutions and Courts are aware of their responsibilities. The Committee therefore urges the Scottish Government and Scottish Funding Council to work with the higher education sector to raise awareness of these requirements as a matter of urgency and to be proactive in this regard. As part of this, the Scottish Government should consider whether Principals, members of senior leadership teams and university courts should undergo mandatory training.

316. The Committee notes the correspondence from the Public Audit Committee regarding lessons which can be learned from the situation at Forth Valley College.

317. Given that colleges are undertaking more commercial activity, and indeed being encouraged to do so, the Committee believes that it is essential that colleges understand their responsibilities in the relation to contracts, procurement etc. and that there is appropriate oversight of commercial agreements. The Committee therefore urges the Scottish Government to consider whether the SFC's existing

powers are sufficient in this respect, or whether additional powers may be required. The Committee notes the Minister's comments that he will work with colleges to support them to realise the potential of their aim to increase commercial interest and asks that the Scottish Government set out its position on whether there are any legislative changes needed to empower them to do this.

Guidance to fundable bodies

318. Section 10 inserts a new section into the 2005 Act to give the SFC power to issue guidance to fundable bodies and any other person in receipt of funding under the functions conferred by the Bill (national training programmes, apprenticeships and work-based learning). The Bill requires that the SFC consult with the Scottish Ministers and the bodies or persons to whom the guidance relates.
319. Edinburgh College's evidence stated that it was comfortable with the additional powers provided for, noting that SFC already had such powers with the legislation serving merely to formalise them.
320. Rewards Training Scotland were similarly content, although they added "as long as this is carried out in a transparent and collaborative manner, without duplication of requirements."⁶⁵
321. Angus Training Group stated that the proposals were a "positive step toward improving oversight and support for the education/training sector." However, they added that, in order for these proposals to be effective, "the SFC will need to modernise its approach, embracing technology and digital solutions to streamline processes and reduce administrative burdens."⁵
322. Although welcoming the statutory underpinning to the guidance that they currently provide to fundable bodies, SFC noted that they currently issue a high volume of guidance. SFC stated that it may not be appropriate or proportionate to consult with Ministers on all guidance. As such, they suggested that the Bill sets out the type of strategic guidance on which it would be appropriate for SFC to consult on, for instance in relation to conducting efficiency studies and issuing guidance to institutions.²⁹
323. EIS, UCU Scotland and the Institute of the Motor Industry suggested that SFC be empowered to take on a more active role, to ensure, for instance:
 - fundable bodies comply more meaningfully with fair work practices²¹
 - restraint in senior staff pay²¹
 - strengthened workforce planning, improved transparency and quality across all providers and sector bodies, support for vocational and apprenticeship pathways and tracked outcomes.⁴⁰
324. The Open University in Scotland, University of St Andrews and Universities Scotland all expressed concern about the potential for over-reach in these

provisions, as much of the detail is being left to regulation.²³

325. Aberdeenshire Council and East Ayrshire Education Service expressed concern at the type of guidance that SFC may issue to local authorities, arguing that the measures in the Bill were not well considered:
- ” [SFC] have little to no knowledge of school systems and therefore the necessity for effective school to post[-school] pathways is both endangered and misplaced.³²
326. QMU Careers and Employability stressed the importance of recommendations and guidance that SFC issues being tailored to each institution:
- ” Different colleges and universities face varying challenges based on size, location, and student demographics, so a one-size-fits-all approach to financial sustainability may not be effective. Flexibility and contextual understanding should be built into the guidance and recommendations issued.⁶⁶
327. As with the provisions on financial monitoring, PCS expressed concern that these measures would allow SFC to issue guidance in relation to in-work apprenticeships, something that they described as "questionable".¹⁹
328. The Delegated Powers and Law Reform Committee (DPLRC) considered all the delegated powers in the Bill. In general, it found the proposed delegated powers to be conferred on the Scottish Ministers acceptable, and was content with the parliamentary procedure suggested for them. The only exception was the delegated power contained within these provisions.
329. In its [report](#), DPLRC explained that it [wrote to the Scottish Government](#), regarding these provisions, asking it:
- to explain why the power to issue guidance to which bodies or persons must have regard, does not specify the type of content that any guidance might include?
 - as guidance is to be put on a statutory basis to which bodies or persons must have regard, why it considers it is not appropriate that there is any parliamentary oversight of this guidance?
 - as guidance is to be put on a statutory basis to which bodies or persons must have regard, is it appropriate that, as well as a duty to consult before issuing guidance and for reasons of transparency and accessibility, that there should also be a duty to publish the guidance rather than publishing being a choice?
330. The Minister [responded on 1 April 2025](#) stating that the type of content is not specified, as the Scottish Government anticipates it being used across the breadth of the SFC's functions, for a range of purposes. The lack of specificity will also allow SFC to respond to emerging issues.
331. The Minister stated that the duty on those to whom the guidance is addressed is to “have regard” to it, rather than a stricter “must” follow it, which means that an organisation need not follow the guidance, provided they have considered it and have good reason not to. The Scottish Government considers that the duty on

organisations is not unduly onerous. Further, the SFC must consult the Scottish Ministers, the bodies or persons to whom the guidance relates and where appropriate, the SFC might consult a wider group of persons, including members and committees of the Scottish Parliament, either directly or through a public consultation. This is more likely to be the case where there is a wider public interest in the topic, perhaps because the guidance has wide application.

332. The Minister added that, in the Scottish Government's view, it is right to allow for consultation and engagement with the Scottish Parliament to be considered on a case-by-case basis and that a blanket requirement for every piece of guidance to go through a Scottish Parliamentary process could be a poor use of parliamentary time.
333. Lastly, the Minister stated that the DPLR Committee raised an important consideration on transparency and accessibility of information. The Scottish Government anticipates that some of the guidance that the SFC will produce will relate to sensitive matters that will not be suitable for publication, for example, issues relating to fraud or cyberattack that will require careful handling and engagement between the SFC and institutions. For these reasons, the Scottish Government does not think that requiring the SFC to publish all guidance would be in the best interests of the sector, learners or the wider public; however, it would expect the SFC to consider whether guidance should be published on a case-by-case basis.
334. The DPLR Committee considered there to be insufficient detail on the face of the Bill, and in the Scottish Government's response to the questions posed, as to the type of content this guidance is to contain; the type of guidance it is intended that the SFC would engage and consult with Parliament on; and the type of guidance to be published or not.
335. Further, the DPLR Committee stated that this Committee may wish to consider whether it is appropriate for the bodies or persons in receipt of funding to be subject to a duty "to have regard to" the guidance. And if it does consider it appropriate, the Committee may also wish to recommend that a parliamentary procedure is attached to the guidance or to some of the guidance issued under this power, with the negative procedure most likely being appropriate.

336. The Committee agrees with the Delegated Powers and Law Reform Committee recommendation that the Scottish Government should give further consideration to the level of detail on the face of the Bill in relation to:

- the type of content this guidance is to contain
- the type of guidance it is intended that the SFC would engage and consult with Parliament on
- the type of guidance to be published or not published.

337. The Committee considers that it is appropriate for the bodies or persons in receipt of funding to be subject to a duty "to have regard to" the guidance. The

Committee therefore recommends that the negative parliamentary procedure is attached to the relevant guidance issued under this power.

338. Given the concerns expressed, the Committee asks the Scottish Government to set out how local authorities and employers could be impacted by these provisions.

Exercise of functions by the Council

339. The 2005 Act sets out several matters which the SFC ‘must have regard to’. These issues include skills needs of Scotland, issues affecting the Scottish economy, and social and cultural issues in Scotland.
340. Skills needs and issues are defined in the 2005 Act as any requirement or desirability for skills or knowledge, or issues which, following consultation with the Scottish Ministers, appears to the SFC to:
1. exist for the time being or be likely to exist in the future; and
 2. be capable of being addressed (wholly or partly) by the provision of fundable further education or fundable higher education.
341. Section 11 of the Bill extends this duty to require that the SFC have regard to the desirability of protecting and promoting the interests of current and prospective learners. It also inserts a new section into the 2005 Act to require that the SFC, in exercising its functions, has regard to the desirability of promoting knowledge exchange and innovation from the research of and among the post-16 education bodies.
342. Section 12 of the Bill expands these requirements beyond the SFC's existing functions in respect of further and higher education and research to reflect the wider remit of the SFC proposed in the Bill.
343. In their evidence to the Committee, EIS called for a strengthening or clarification of the enforcement implications if institutions treat the “must have regard” guidance or recommendations as “have regard”. EIS stated that, at present, institutions are clear that there will be little consequence if they fail to “have regard”.⁵⁷
344. They argued that strengthening would not necessarily require amendments to the Bill, however, “much clearer—or, indeed, stronger rhetoric”²¹ from the Scottish Government to set out what the phrase means, and the consequences of non-compliance.
345. Bòrd na Gàidhlig suggested specifically referencing Gaelic in section 11 of the Bill, to strengthen support for Gaelic learners.⁶⁷
346. In their submission, Scottish Chambers of Commerce criticised the provisions in

section 12, stating that they fail to strengthen the requirement on SFC to respond to economic need.¹⁶

347. SDS highlighted that the 2005 Act already requires SFC to have regard to the skills needs; issues affecting the economy; and social and cultural issues.

348. However, they argued that despite record levels of investment in higher and further education and one of the most highly educated workforces in the world, economic productivity in Scotland is poor and static.

349. SDS added that, given the current challenges in workforce, it could be argued that the Bill should be significantly strengthened in relation to the requirement to have regard to issues affecting the economy.¹⁴

350. The Committee draws the Scottish Government's attention to the evidence concerning these provisions and asks the Scottish Government for its view of the suggestions to strengthen:

- the rhetoric regarding what "must have regard" means in this context and the consequences of non-compliance
- the requirement to have regard to issues affecting the economy.

Part 2 of the Bill - Governance of the Council

351. Part 2 of the Bill makes reforms to the governance arrangements of SFC, with a focus on the appointment of members to the Council (the governing board of SFC). It places a new requirement on SFC to establish an apprenticeship committee to advise on matters concerning apprenticeships.

Membership of the Council

352. Proposals in the Bill will amend the length of terms that members can sit on the Board, and the skills and knowledge required of the Board.

Term limits

353. Section 14 of the Bill amends the 2005 Act to remove the limitation that reappointments to the Council may only be for a single further period of up to four years. The Policy Memorandum accompanying the Bill states that the change is proposed so that:

” ... appointment and reappointment rounds can be conducted more effectively and the SFC can benefit from better succession planning.³⁰

354. The comparatively few respondents to the call for views who mentioned these provisions generally welcomed them.
355. The Policy Memorandum explains that although the provisions are designed to allow for more flexibility, the Ethical Standards Commissioner’s Code of Practice for Ministerial Appointments to Public Bodies, under which the maximum duration of appointment can be no more than eight years, will continue to apply.³⁰
356. Colleges Scotland welcomed reassurances from SFC that this measure in the Bill is a technical change, and will bring SFC into line with other public bodies.

Skills and knowledge

357. Schedule 1, paragraph 3 of the 2005 Act sets out the skills and knowledge the Scottish Ministers are required to consider when appointing members to the Council (SFC Board). This currently includes consideration of experience in the provision of further and higher education, industry or financial matters, or any other relevant skills, knowledge or experience Ministers consider relevant in relation to the SFC’s functions.
358. Section 15 of the Bill inserts requirements for the Scottish Ministers to consider appointing people with experience of and capacity in the provision of Scottish apprenticeships and work-based learning, or who have held or shown capacity in any position with responsibility for provision of apprenticeships or work-based learning. It also restates the existing requirement to consider those with experience

and capacity in relation to research.

359. The existing requirement for the Scottish Ministers to consider the appointment of persons currently engaged in or carrying responsibility for the provision of further and higher education is removed by the Bill. The requirement to consider those currently engaged in research is also removed.
360. Given the expanded remit of the SFC, almost all individuals and organisations who provided evidence highlighted the importance of people with knowledge and understanding of apprenticeships being included on the Council.
361. Colleges Scotland welcomed the inclusion of Council members who have experience of have shown capacity in the provision of Scottish apprenticeships, but added that business and industry, community and students are key stakeholder groups which are under-represented on the SFC Board.⁷
362. Although supportive of the requirement to have Board members with knowledge of Scottish apprenticeships, some organisations, including Edinburgh College and UCU Scotland, were concerned that the requirement for Ministers to “have regard to the desirability of appointing persons with experience of further education or higher education” is being removed from legislation.
363. The University of St Andrews suggested that the Bill be more specific:
- ” to ensure that those who are the specialists and with relevant track record of leadership in tertiary education and particularly research are accorded appropriate, sensible and necessary representation on the board and committees that are instrumental in shaping the tertiary education landscape.²³
364. The specific need for employer representation on the Council was also stressed by the majority of contributors including the Federation of Small Businesses, COSLA, Scottish Chamber of Commerce and Prosper. The Institute of the Motor Industry stated that it was critical that such representation be meaningful, urging the Bill to set out “clear criteria for balanced Board membership across FE, HE, and employer-led provision.”⁴⁰
365. The Scottish Training Federation advised that apprenticeship professionals should be represented on the Council, and that the apprenticeship committee must not be seen as a replacement for such representation.¹²
366. It is clear from the evidence received that the work of SAAB is greatly valued. Tony Burns, Chief Operating Officer at ACS Clothing, told the Economy and Fair Work Committee that it was critical that the knowledge and experience of those involved in SAAB is not lost, stressing that apprenticeships must remain aligned to employers.⁴⁸
367. In their response to the call for views, SDS stated that there was currently no specific provision in the bill which would guarantee employer representation on the SFC Council.²⁰
368. The Minister stated that the SFC Board needs to reflect the “breadth of knowledge

- and understanding" of all its responsibilities. He added that he would "like employer representation on the Board." ³
369. Additionally, there were calls for independent training providers ⁶⁵, sector organisations ³³, students ⁸ - including part-time students ⁶⁸, female business owners ²¹ and unions ²¹ to be represented on the Council.
370. Clare Reid of Prosper suggested that, given the current challenges, it would be helpful if new Board members had a skill set around financial due diligence. ¹³
371. Several individuals and organisations, including UNISON and PCS, stated that the proposals in the Bill would mean that the Council would have, at least initially, no experience of apprenticeships and national training programmes, describing it as an "unavoidable risk". ¹⁹
372. The Minister highlighted that there were currently two vacancies on the Board, the Chair and one member. There will be another three vacancies from October, as three members end their final terms. ⁴¹ Given this, he explained that discussions were taking place between Scottish Government and the SFC as to the range of skills that would be advantageous for the SFC to have at its disposal. ³
373. In their written evidence, RSE welcomed the intent of the measures which would ensure that current principals, vice-chancellors and other leaders who could have a distinct conflict of interest would not be eligible to sit on the SFC Board. For further clarity, they asked that the Bill "unambiguously outline the profile of eligible prospective members and the potential conflicts of interest that may arise" ¹⁷.
374. However, Universities Scotland suggested that this change would be a mistake, as they believed it would deprive the Board of those with the most up to date knowledge of managing institutions, and the issues they are facing. ²² Sir Paul Grice added that while he understood concerns over conflicts of interests, "that issue can be and is managed successfully by the SFC board." ⁸
375. When giving evidence to the Committee, the Minister was confident that the SFC Board would be able to draw on "a number of very experienced and highly talented former principals of universities and colleges". ³ The SFC Board could therefore have the necessary experience without the potential conflicts of interests.
376. In its evidence, University of Stirling suggested that there should be an annual review of individual Board members' effectiveness, and the Board more generally, undertaken by the Chair. Such a review should consider the Board's "performance, composition, diversity and how effectively members work together to achieve its objectives." ⁴²
377. The Committee recognises the need for the SFC Board to have the correct knowledge and skills, to cover all of its new responsibilities, and the call that employers be represented on the Board, given their critical role in the delivery of apprenticeships and work-based learning.

378. The Committee notes the calls from several stakeholders for inclusion of independent training providers, sector organisations, students (including part-time students), female business owners, unions and those with skills in relation to financial due diligence, on the SFC Board. The Committee asks the Scottish Government for its view of these calls.

Size of the Council

379. Schedule 1, paragraph 2 of the 2005 Act sets out provisions for the appointment of Council members. Council membership must consist of the Chief Executive of the SFC, along with a Chair, and between 11 and 14 members. The Chair and Council members are appointed by Scottish Ministers.

380. The Bill does not propose any changes to the size of the Council. As such, it will remain at the current size (11-14). However, Universities Scotland suggested that it should be bigger, to ensure that the Board has skills and expertise in respect of apprenticeships without losing skills and expertise in higher education and further education.

381. Universities Scotland also highlighted that the SDS Board is being reduced by two-to-four members but noted that there is not a consequential increase in the number of SFC Board members.²²

382. In their response to the call for views, SFC suggested that the Bill be changed to allow for “flexibility to expand the number of Board members if that was deemed necessary in future, to allow for a range of skills, experience and expertise in the expansion of functions.”²⁹

383. Clare Reid of Prosper agreed, suggesting that increasing the diversity of the board without expanding its size was potentially “a little restrictive” and therefore encouraged more flexibility on this point.¹³

384. The Committee recommends that the Scottish Government considers amending the Bill at Stage 2 in order to increase the size of the SFC Council. This would allow the SFC to both attract new board members with knowledge and expertise of the SFC's additional responsibilities, whilst retaining expertise relating to the SFC's current remit.

Co-opted members of the Council

385. Section 16 of the Bill inserts new paragraph 2A into Schedule 1 of the 2005 Act. This gives the SFC the ability to appoint up to two co-opted members to the Council, with the approval of the Scottish Ministers. The paragraph also sets out that co-opted members can be appointed for no more than one year at a time, but are eligible for reappointment.

386. Co-opted members can take part in proceedings as determined by the SFC, but cannot vote.
387. The Policy Memorandum accompanying the Bill states that paragraph 2A is intended to enable the SFC to appoint people with particular knowledge and skills:
- ” Co-opted members can provide advice to the SFC on issues outside the remit of its standard committees. Examples may include cross-cutting issues such as support on digital transformation or specialised advice on net zero actions. Co-opted members may also be useful for some transitional activities or time-limited such as appointing a change management expert to oversee the merger or restructuring of institutions or programmes. This approach allows for a measure of impartiality and enables interrogation by the Council as a whole. A co-opted member may also provide a useful point of challenge.³⁰
388. When giving evidence on behalf of the Royal Society of Edinburgh, Professor Nigel Seaton, indicated the RSE's support for the principal of members being co-opted onto the Council, however, he argued for more flexibility in the measures, "so that broader skills can be brought in for a period if that is necessary".¹³
389. EIS and CITB were also supportive of the measures. EIS hoped that such members would be able to provide challenge and advice which could lead to "effective scrutiny and ensure fundable bodies are accountable to their staff and students."⁵⁷
390. CITB thought that the ability to co-opt members onto the Board could help address the Council's initial lack of experience in respect of NTPs and apprenticeships.⁶
391. Universities Scotland agreed that there was potential value in co-opted members, but stressed that they should only be "as a time-limited mechanism to implement change in the Council's composition". Universities Scotland argued that to do otherwise was unnecessary, as the Council can already seek advice from individuals with expertise, who are able to attend its meetings.²²
392. The Committee notes the evidence on the provisions for co-opted members of the Council. The Committee believes that the ability to co-opt members could prove helpful, particularly during the transition to the new, expanded body.

Apprenticeship Committee

393. Section 17 of the Bill requires that the SFC establish an apprenticeship committee. The policy objective is to establish a new apprenticeship committee to provide the SFC with the right structure to manage its new functions in relation to apprenticeships.³⁰
394. Skills Development Scotland (SDS) has several existing groups which relate to the delivery of apprenticeships and national training programmes (NTPs):
- The [Standards and Frameworks Group](#) oversees apprenticeship development

in Scotland. The group is comprised of industry representatives, including its Chair, universities, colleges and the Scottish Training Federation.

- The [Apprenticeship Approvals Group](#) has responsibility for approving all Scottish apprenticeships. SDS provide the secretariat, and the group is chaired by employers, with its membership comprising employers, Education Scotland, the Scottish Qualifications Authority, universities and colleges, and the Scottish Training Federation.

395. Both these groups are part of the [Scottish Apprenticeship Advisory Board \(SAAB\)](#), which is the mechanism for ensuring that industry has a voice in the development of apprenticeship frameworks in Scotland.

396. The Financial Memorandum assumes the apprenticeship committee will comprise 12 members. The Policy Memorandum states that:

” This apprenticeship committee would absorb at least some of the functions and responsibilities of various of the bodies and groups in the current apprenticeships landscape, such as the Standards and Frameworks Group and the Apprenticeships Approvals Group. The Scottish Ministers, in respect of their powers to issue guidance about the committee, and the SFC, in respect of its duties under new paragraph 12A of schedule 1 of the 2005 Act, will engage with these existing bodies and groups, as well as employers and independent training providers, to develop the detail of the new governance arrangements.

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397. The Bill sets out that the SFC should chair the apprenticeship committee, but does not define its structure, functions or membership. Section 17(4) of the Bill grants the Scottish Ministers the powers to provide guidance to the SFC in relation to the composition of the apprenticeship committee and its functions.

398. Although the accompanying documents to the Bill explain that SAAB would be wound up by the end of April 2025, Paul Campbell of SAAB told the Committee that the Minister had asked it to carry on, to ensure a smooth transition.²¹ The Minister confirmed this when he gave evidence to the Committee on 28 May.³

399. Several contributors expressed concern about what they considered to be a lack of detail in the Bill regarding the composition of the apprenticeship committee.

400. SQA contrasted the approach in the Bill to the legislation governing the SQA Accreditation Committee, which requires the majority of Accreditation Committee members to be neither on the Board or employees of SQA (Qualifications Scotland), to avoid any potential conflict of interest. They suggested that the Bill take a similar approach to the membership of the apprenticeship committee.¹⁸

401. Prosper argued that employers, key skills bodies, key trade bodies and regional representatives should be on the Committee.⁶⁹ Colleges Scotland stated that the committee must have a diverse employer voice.⁷ NES called for the inclusion of key sector representation, for instance health and social care sector.³³

402. The Federation of Small Businesses concurred with the need for industry

representation, and argued for more small business representation, including those who have not yet employed apprentices, arguing that they would be able to bring the perspective of those wary or unsure of how to access the programme.⁴⁶ SNIPF agreed, and also suggested that managing agents be added to the list of those who should be represented.³⁵

403. SAAB called for the Bill to specify—
- that the committee includes industry representatives who are committed to the significance of apprenticeships
 - the capability requirements of members which must match and be aligned to the knowledge, skills and capability of the SAAB Standards and Framework Groups and Apprenticeship Approvals Group.⁷⁰
404. SDS stated that one committee would be unable to deliver the work that was previously carried out by the SAAB groups.¹⁴
405. Currently the Standards and Frameworks Group has 17 members⁷¹ and the Apprenticeship Approvals Group has 14 members.⁷²
406. City of Glasgow College asked for greater clarity as to how the committees within SFC will relate to each other, querying whether the apprenticeship committee would be a sub-committee or full committee within SFC governance structures.⁴
407. SFC explained that, at present, its statutory skills committee – the Skills, Enhancement, Access and Learning Committee (SEAL), has oversight over policy as it relates to all fundable provision, including graduate apprenticeships and foundation apprenticeships.²⁹
408. Universities Scotland suggested that, to avoid the potential for silos, broader apprenticeship policy be considered at SEAL, with its membership expanded to reflect its new remit. They added that there should also be a sub-committee, with appropriate expertise, to oversee and approve apprenticeship frameworks.²²
409. UNISON Scotland argued that the proposals in the Bill implied a downgrading in the institutional weight of NTPs and apprenticeships, comparing one committee within SFC to a dedicated agency.²⁴
410. In his evidence, SAAB Employer Engagement Group Chair, Paul Campbell, highlighted the recent launch of a new employer network, which aims to support reform, however, he was unclear how the network will function on an on-going basis.²¹
411. The Committee believes it is essential that the voice of employers in Scotland's skills system is at least maintained if not strengthened by this Bill, and ensuring employer involvement in the apprenticeship committee is one key way to do so. The Committee recommends that the Scottish Government and the SFC set out more detail on how employers will be involved in the apprenticeship committee.

412. The Committee is concerned by the volume of work that will be expected to be done by the apprenticeship committee, given the number of groups that it is replacing.

413. The Committee is also concerned that, with a membership of 12, the apprenticeship committee will be smaller than both the Standards and Frameworks Group and the Apprenticeship Approvals Group.

414. The Committee also believes that more clarity is required regarding the status of the apprenticeship committee and how it will relate to other elements within the SFC governance structures.

415. The Committee recognises that the Scottish Government intends to increase employer engagement, and that regional and national skills planning fora will be an important element to this, however, the Scottish Government must provide more detailed information about how it intends the apprenticeship committee to work.

416. The Committee also recommends that the Scottish Government provides further detail on the role of the new employer network and whether it will inform or influence the work of the apprenticeship committee.

417. The Committee calls on the Scottish Government to respond to these points ahead of Stage 2.

Part 3 - Student Support

418. Student support is the term used to describe financial support provided to students to cover tuition fees and living costs. Scottish-domiciled students at college or higher education institutions have their tuition fees paid for them. SAAS currently pays the tuition fees of higher education students while the SFC pays the fees of further education students.
419. Part 3 of the Bill puts into legislation a mechanism for private providers of further and higher education to become 'designated providers' approved for the purposes of student support. The aim of this is to ensure that Scottish-domiciled students undertaking courses with approved private providers can receive student support.

Designation of private providers of higher and further education

420. In addition to fundable further and higher education bodies, there are a number of private providers delivering courses in a range of subjects including the creative arts, information technology and social care.
421. Private providers do not receive teaching grant funding from the SFC. However, students attending approved courses delivered by private providers can receive funding and support via SAAS for higher education provision.
422. Students can only receive support for private further education provision if they are registered as a student in a college and undertake courses delivered by private training providers as part of their college course.⁷³
423. EIS and UCU Scotland expressed concern about what they described as the opening of a door to private providers in higher and further education.²¹ City of Glasgow College advocated that a 'college first' approach be taken to prioritise funding of public institutions.⁴
424. However, the Institute of the Motor Industry was more positive about the provisions in the Bill, stating that "learners should have access to high-quality training regardless of whether they attend a public college or a private provider — particularly in rural areas where options are limited."⁴⁰
425. It was clear from the evidence that more clarity is required in relation to a range of issues regarding these provisions, including:
- the definition of a private provider
 - how the provisions will work in relation to providers of private further education, given the different mechanisms to deliver college student support compared to those for university student support
 - what guidance could be provided in the regulations
 - checks to be placed on providers before student support is provided.

426. In their evidence, RSE noted that universities are private institutions, but also fundable bodies in this legislation. They stated that for more detail was therefore required in relation to the definition of private providers. ¹⁷
427. The Scottish Training Federation presumed that employers and training providers will need to be designated as fundable bodies in order to deliver NTPs and apprenticeships. They stated that although the Bill provides a list of fundable bodies, it does not set out a process for employers and training providers to become such bodies. They therefore called for clarity on what the process would be. ¹²
428. In their response to the call for views, the SFC highlighted that, at present, the further education student support provided to colleges is related to further education teaching funding. They queried how the provisions in relation to further education at private institutions, which would not be in receipt of teaching funding, would work in practice. ²⁹
429. Organisations, including Universities Scotland, welcomed the intention to provide more transparency regarding the designation process for private providers. However, they noted that implementation would be via regulation and asked that more detail be provided as to what these regulations would include. ²²
430. Many stakeholders warned that any shift to allow support for private institutions must be accompanied by robust quality checks and governance. There were concerns that private training organisations could open simply to access public funding, without investing in high-quality delivery.
431. Colleges Scotland stated that they would expect private institutions to be subject to the same expectations as colleges. ⁸ QMU Careers and Employability argued that there was currently insufficient clarity and stressed that the Bill needs to ensure that private institutions meet certain criteria before receiving any public funding for students. ⁶⁶
432. The Student Awards Agency Scotland (SAAS) submission explained that it was in the final stages of developing a new designation process for private providers, and in the interim has paused the acceptance of new applications from private training providers to allow pilots to be conducted. The launch of the new process is expected in Autumn 2025. ⁷⁴
433. MCR Pathways expressed disappointment that, although the Bill aims to clarify the process in respect of private providers, there remains a lack of transparency for students that require more than the statutory minimum funding provided by SAAS. ⁷⁵
434. They stated that, under the proposals, the funding support for people attending private providers would be less than if they were to attend public institutions or private providers elsewhere in the UK. As many of these providers offer qualifications in the creative arts, MCR Pathways expressed concern that the proposals could actively deter young people who experience instability in their lives, from pursuing qualifications and careers in the creative arts. ⁷⁵

435. The Committee calls on the Scottish Government to provide further detail in relation to these provisions, specifically regarding—
- the definition of private provider and whether employers and training providers will be included within this
 - how student support for those receiving further education with a private provider would be distributed
 - what type of measures would be included in regulations
 - what criteria will be included in the new designation process being established by the SAAS, to ensure that providers are credible and will provide high quality education.

436. The Committee notes the points made by MCR Pathways and asks the Scottish Government to clarify its intentions in relation to the level of support available to students studying with private providers.

Support for further education students

437. Under current arrangements enabled by legislation in the 2005 Act and the Student Support Regulations, the SFC provides colleges with funding to distribute to further education students in the form of non-repayable bursaries to cover living costs. Higher education students apply to SAAS for tuition fee and living costs support. Depending on age, level of study and household income, they may qualify for non-repayable bursaries and/or repayable loans.
438. The Scottish Government's policy intention, as part of the overall programme of reform of the funding body landscape, is to transfer the SFC's responsibilities for the administration of further education student support to SAAS. Existing provision within the Education (Scotland) Act 1980 enables the Scottish Ministers to direct the SFC (or any other body or person) to administer student support. This change can therefore be made administratively, without the need for legislation. The policy intention is that a direction to the SFC for this purpose will not be issued in future and SAAS will administer all student support.
439. The cost of moving responsibility for the administration of further education student support from the SFC to SAAS is not set out in the FM as this will be achieved administratively, so there is no provision for this within the Bill.
440. However, there are provisions within the Bill to cover directions relating to student support and transfer or delegation of functions relating to student support. The Policy Memorandum states that this is to "allow for flexibility in the future evolution of the responsibilities for the administration of student support."³⁰
441. EIS, Edinburgh College and others expressed concern that the bespoke nature of the college student support available at present, would be lost, and that further

education students will find it more difficult to access support as a result.

442. Catherine Topley, Chief Executive of SAAS stressed that college student support will remain "as is" ¹³ when it moves to SAAS. The Minister concurred that this was the plan, "in the short to medium term." ³
443. SAAS and SFC stated that they had been working together from the outset, and would continue to do so, with the aim of providing a "seamless transition". ¹³
444. Colleges Scotland and Universities Scotland stated that they hoped that the change would lead to a smoother transition in the support that college students receive when they change from studying a further education course, to a higher education course, whether that is at the same college, another college or a university.
445. Catherine Topley of SAAS added that, although the distribution model of support would remain the same, SAAS has been engaging with colleges, to ask if there are any improvements that could be made as part of the transfer. ¹³
446. Responses from some individuals and UNISON raised concerns about the decision to move all responsibility for student support to SAAS as they were critical of SAAS's performance in the exercising of their current responsibilities.
447. Organisations, including MCR Pathways, Institute of Physics, AGCAS, the Open University in Scotland and CELCIS, suggested that making one organisation responsible for student support offered potential for improvements, including:
- to the usability of the SAAS website and application for support
 - the creation of a more coherent and equitable system for college and university students, including those studying part-time, noting that college and part-time students, at present, cannot access the same levels of support as full-time university students.
448. Organisations including Institute of the Motor Industry, SCD-Learn and NUS Scotland also asked whether it would be possible for apprentices to access targeted financial support from SAAS.

449. The Committee recognises the evidence from stakeholders that the current model of support for college students is one that they wish to be maintained, and that both SAAS and the Scottish Government have confirmed that this will be the case for the short- to medium-term.

450. The Committee would welcome more information from the Scottish Government regarding its longer-term plans for college student support and how it might be distributed.

451. The Committee would also welcome an update on work that the Scottish Government has been carrying out in relation to student support availability,

particularly in relation to part-time students.

Conclusion

452. Apprenticeships offer valuable opportunities to learners and businesses across Scotland, and make a vital contribution to Scotland's economy. It is clear from the evidence the Committee heard, that the current approach towards administering and delivering those apprenticeships needs to be improved.
453. The Committee shares the ambitions for the funding for the tertiary education and training provision to be more responsive to the needs of learners and the economy; and improving the operation and governance of the Scottish Funding Council.
454. However, careful consideration needs to be made of the cost benefit of doing so. The Committee has significant concerns about the financial aspects of the Bill, specifically in relation to the transfer of staff between SDS and the SFC.
455. As such, the Committee is being asked to agree to a FM which provides a very wide range of costs. In light of all of this, the Committee is not able to make a recommendation to Parliament and reserves its position on the General Principles of this Bill.

Annexe

Extracts from the minutes of the Education, Children and Young People Committee and associated written and supplementary evidence.

[15th Meeting, 2025 \(Session 6\), Wednesday 7 May 2025](#)

Tertiary Education and Training (Funding and Governance) (Scotland) Bill:

The Committee took evidence on the Bill at Stage 1 from—

- Clare Reid, Director of Policy and Public Affairs, Prosper;
- Professor Nigel Seaton, Fellow, Royal Society of Edinburgh;

and then from—

- Martin Boyle, Chief Operating Officer, Scottish Funding Council;
- Catherine Topley, Chief Executive, SAAS;
- Damien Yeates, Chief Executive, Skills Development Scotland.

[Official Report of the meeting on 7 May 2025](#)

Written evidence from witnesses

- [Prosper](#)
- [Royal Society of Edinburgh](#)
- [Scottish Funding Council](#)
- [SAAS](#)
- [Skills Development Scotland](#)
- [Skills Development Scotland additional submission, 1 May 2025](#)
- [Supplementary evidence from Scottish Funding Council, 20 May 2025](#)
- [Supplementary evidence from Skills Development Scotland, 22 May 2025](#)
- [Supplementary evidence from Scottish Funding Council, 23 May 2025](#)
- [Supplementary evidence from Skills Development Scotland, 20 June 2025](#)

[16th Meeting, 2025 \(Session 6\), Wednesday 14 May 2025](#)

Tertiary Education and Training (Funding and Governance) (Scotland) Bill:

The Committee took evidence on the Bill at Stage 1 from—

- Jon Vincent, Principal, Glasgow Clyde College, representing Colleges Scotland;

- Sir Paul Grice, Interim Convener, Universities Scotland;
- Andrew Ritchie, Lead Officer DYW, Aberdeenshire Council, representing the ADES Sub-Group on Foundation Apprenticeships;
- Sai Shraddha S. Viswanathan, President, National Union of Students Scotland;

and then from—

- Sarah Dalrymple, Founder and Director, SDC-Learn;
- Stephanie Lowe, Deputy Chief Executive, Scottish and Northern Ireland Plumbing Employers' Federation (SNIPEF);
- Phiona Rae, Head of Administration and Finance, Tullos Training.

[Official Report of the meeting on 14 May 2025](#)

Written evidence from witnesses

- [Colleges Scotland](#)
- [Universities Scotland](#)
- [ADES Sub-Group on Foundation Apprenticeships](#)
- [SDC-Learn](#)
- [Scottish and Northern Ireland Plumbing Employers' Federation \(SNIPEF\)](#)
- [SCD-Learn, Additional submission, 13 May 2025](#)
- [Supplementary information from Colleges Scotland, 23 May 2025](#)
- [Supplementary information from Scottish and Northern Ireland Plumbing Employers' Federation \(SNIPEF\), 10 June 2025](#)

[17th Meeting, 2025 \(Session 6\), Wednesday 21 May 2025](#)

Tertiary Education and Training (Funding and Governance) (Scotland) Bill:

The Committee took evidence on the Bill at Stage 1 from—

- Sarah Collins, National Officer for Further Education, Educational Institute of Scotland (EIS);
- Liam Davenport, Industrial Officer, PCS Union;
- Nicola Jackson, UNISON Steward, Skills Development Scotland;
- Mary Senior, Scotland Official, UCU Scotland;
- John Lewis, Scottish Funding Council Workplace Representative, Unite the Union;

and then from—

- Vikki Manson, Deputy Head of Policy Scotland, Federation of Small Businesses;
- Paul Campbell, General Manager, Scottish Water and SAAB Employer Engagement Group Chair, representing Scottish Apprenticeship Advisory Board (SAAB);
- Carolyn Currie, Chief Executive, Women’s Enterprise Scotland.

[Official Report of the meeting on 21 May 2025](#)

Written evidence from witnesses

- [Educational Institute of Scotland \(EIS\)](#)
- [PCS Union](#)
- [UNISON](#)
- [UCU Scotland](#)
- [Scottish Funding Council Branch, Unite the Union](#)
- [Federation of Small Businesses](#)
- [Scottish Apprenticeship Advisory Board \(SAAB\)](#)
- [Supplementary information from SAAB, 2 June 2025](#)

[18th Meeting, 2025 \(Session 6\), Wednesday 28 May 2025](#)

Tertiary Education and Training (Funding and Governance) (Scotland) Bill:

The Committee took evidence on the Bill at Stage 1 from—

- Graeme Dey, Minister for Higher and Further Education; and Minister for Veterans, Andrew Mott, Head of Legislation and CLD unit, Scottish Government;
- Alison Martin, Solicitor, Scottish Government Legal Directorate.

[Official Report of the meeting on 28 May 2025](#)

24th Meeting, 2025 (Session 6), Wednesday 3 September 2025

Tertiary Education and Training (Funding and Governance) (Scotland) Bill:

The Committee considered and agreed a draft report.

Written submissions

The Committee received a significant number of written submissions from organisations and individuals to the call for views which have been published on the website—

- [Published responses](#)
- [SPICe summary of responses](#)

Correspondence

- [Letter from the Minister for Higher and Further Education; and Minister for Veterans to the Convener of 28 April 2025](#)
- [Letter from the Auditor General for Scotland to the Convener of 20 May 2025](#)
- [Letter from Richard Leonard, Convener of the Public Audit Committee, 20 June 2025](#)
- [Letter from the Minister for Higher and Further Education; and Minister for Veterans to the Convener, 2 July 2025](#)

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