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19 September 2025

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

Dear Convener,

I want to sincerely thank the Education, Children, and Young People Committee members for their careful consideration of the Tertiary Education and Training (Funding and Governance) (Scotland) Bill, and for their Stage 1 Report published on 9 September 2025. The points raised are well made and reflect the depth of engagement and scrutiny that has gone into this process. I am grateful for the Committee's work in helping to shape and strengthen the Bill.

The need for change

The Committee's report highlights a clear message, from the evidence it received, that the current approach towards administering and delivering apprenticeships needs to be improved, echoing 80% of responses when we consulted on this legislation over summer 2024, which favoured reform over business as usual. We fully agree that change is needed, and the Bill enables us to address these issues. By building on what works and tackling the areas that need reform, we can create a more effective and responsive apprenticeship system. One that better meets the needs of learners, employers and the wider economy.

At its core, the Bill ensures that funding goes directly to where it matters most, supporting people to learn and grow. It will achieve this by streamlining the system and removing overlapping roles, functions and responsibilities. This will help improve the flow of funding, provide greater clarity on the return from public investment, strengthen accountability and deliver better value for money across the system. It will support a more coherent, collaborative and flexible system where colleges, universities, and training providers all play a vital role in delivering high-quality, future-ready education and training.

This Bill is neither the starting point nor the final destination. It is a result of years of evidence and information the government has gathered on the desire for change. We are making changes to simplify the funding landscape – guided by what we've heard and a shared commitment to doing better for the tertiary education sector.

At the heart of all of this is a determination to do better by our young people and better serve the needs of the economy.

Change based on evidence

The Bill is founded on evidence from the James Withers review and the Purpose and Principles for Post-School Education, Research and Skills, both published in 2023 and informed by extensive stakeholder engagement. We found that the complexities of funding flows in the current system lead to duplication, inefficiencies and challenges in collaboration and delivering improvement.

A strategic outline case for simplification of the funding body landscape was developed in 2024 which identified the three viable options for reform. These were the subject of public consultation from June to September 2024. Some 194 responses were received; 133 from organisations and 61 from individuals. The report on the consultation was published on 22 January 2025. Wider stakeholder engagement for the consultation included on-line three information sessions which were attended by approximately 60 people. The three options were also assessed through an Outline Business Case, also published on 22 January 2025.

In developing the Bill, we have actively engaged with stakeholders to ensure their voices are heard. We agree with the stakeholders on the importance of addressing skills shortages and the role of employers in the apprenticeship system. Our post-school education and skills reforms will support businesses and employers across Scotland with a more responsive and agile system, building on what works well now.

Over the summer, I met with key groups including the Federation of Small Businesses, the Scottish Training Federation, Women Enterprise Scotland, the trades unions and others to listen to their views and discuss any concerns. Colleagues in the Scottish Funding Council (SFC) have been undertaking similar engagement to support a shared understanding of what the Bill will mean in practice.

Additionally, I met the Glasgow Disability Alliance around impediments to better take up of apprenticeships by young people with disabilities.

Transformation of the SFC

I want to be clear that the changes introduced by the Bill will require the SFC to evolve significantly as an organisation. It will take on expanded responsibilities and welcome additional staff from SDS bringing valuable expertise in apprenticeship delivery. The SFC will need to adapt how it operates, strengthen its relationships with independent training providers and employers and build a more outward-facing and collaborative approach. I have absolute confidence that the SFC will rise to this challenge. I recognise that the transition will not always be easy, but I believe the

organisation is already demonstrating its commitment to working in partnership and evolving in ways that will strengthen the system for the future.

Sector sustainability and governance

The Bill, as introduced, significantly strengthens the governance and oversight powers of the redesigned SFC enabling them better to monitor the financial sustainability of the sector. These improved powers will help the SFC support the sector, ensuring institutions are well-placed to meet future demands and continue delivering high quality learning. Since the Bill was introduced in February, we have learnt a lot more about what went wrong at the University of Dundee. I know that financial sustainability and good governance of the sector are issues of great interest to the Committee. I am absolutely open to working with the Committee on potential Stage 2 amendments to strengthen national oversight and local governance.

Foundation apprenticeships

I want to be clear that we value what can be achieved through foundation apprenticeships and that there is some really excellent work happening in parts of Scotland. I appreciate the commitment of all those involved in delivering work-based learning for young people. The changes we are making, and the provision in the Bill, do not place any less importance on this type of learning. Indeed, we are setting out to improve the offering.

The Bill makes provision for work-based learning, which largely covers what is currently delivered through foundation apprenticeships. There are strongly-held contrary views amongst stakeholders on the use of the term “foundation apprenticeship”. Some object because school pupils are not in a contract of employment, as is normally understood to be the case for an apprenticeship. I am happy to work with the Committee and stakeholders to address any genuine concerns about how the Bill provisions would work in practice.

Work-based learning is a valuable part of senior phase learning and I am committed to ensuring we have a fair, equitable and transparent offer. Through innovation and partnership, we will build on our success, consider what improvements should be implemented to vocational pathways, ensuring we are creating the best opportunities for the young people of Scotland.

I have spent some time this summer meeting those engaged in delivering foundation apprenticeships from Inverness to the Lothians. I have been struck by the range of different delivery models and their effectiveness. I want to be clear that, whatever changes we make in relation to foundation apprenticeships, these will be done with a view to protecting that variety of approaches and building on the good practice we currently have.

Through the Bill we have an opportunity to realise more fully the potential of foundation apprenticeships both for our young people and employers.

Graduate apprenticeships

There is a strong demand for expanding the graduate apprenticeship offer and it is our intention to do just this. This expanded offer will cover a wider range of sectors and occupations to support employers' skills needs, the economy and vital public services. We will implement changes to the development process of graduate apprenticeships, including the assessment of demand for new frameworks and the framework content. This work, which will be done in close collaboration with the university sector and employers, will progress immediately. We know that the current process is seen as a barrier and we intend to create a streamlined and faster development process. The Bill will help ensure that this faster development process is effectively overseen by the SFC who will be tasked with leading this. Universities Scotland, employers and learners will of course be engaged as this work is progressed.

Modern apprenticeships

Recognising that apprenticeship contribution rates have been static for some time, a review of these will form part of wider work looking at any possible changes to the modern apprenticeship delivery model.

Widening access

The Committee's report raises the issue of widening access to higher education and how the Scottish Government will take forward plans to introduce Free School Meals data as a widening access measure at a national level. I concur with the desire of the Committee to make progress on this issue. I am pleased to advise that I am cautiously optimistic this Bill does provide an opportunity to make appropriate provision for data sharing. I hope to be able to bring forward amendments to enable this at Stage 2 and look forward to the Committee's support in that regard.

Financial information

When I gave evidence to the Committee on 28 May 2025, I committed to providing as much information as possible on costs ahead of the Stage 1 debate. Since then, my officials have been working very closely with SDS and the SFC to narrow the range of cost estimates and provide greater clarity on the potential financial implication of the Bill. I am pleased that the cost estimates for the Bill have significantly reduced. While further work is needed to refine these figures, I hope the additional financial information at **Annex A** offers reassurance to the Committee.

The Scottish Government's detailed response to the Committee's report is to be found in **Annex B**.

I hope this letter provides reassurance to the Committee about the importance of the Bill and the steps we are taking to support its delivery. I would of course be happy to discuss any queries any member might have, ahead of the Stage 1 debate.

I would also extend my thanks for the careful scrutiny and consideration of the Bill at Stage 1 by the Delegated Powers and Law Reform Committee, the Finance and

Public Administration Committee and the Economy and Fair Work Committee. I am copying this letter to the respective conveners of those committees.

I look forward to continuing to work with the Committee and the wider Scottish Parliament on the Bill.

Yours sincerely,

GRAEME DEY,

Minister for Higher and Further Education; and Minister for Veterans

ANNEX A

REVISED COSTINGS

Summary

The Committee raised a number of points in its Stage 1 Report on the costings provided in the Financial Memorandum. These are responded to below with further detail provided in subsequent Annexes.

It is important to note that any figures relating to SDS staff numbers are provided without prejudice and based on a cost to serve model that recognises this grouping of staff are in scope of transfer but that the actual scope of the transfer will be determined through formal consultation with trade unions and employees.

Table 1 of the Financial Memorandum summarised the costs and savings for the Bill. The lower cost "estimate" for the six years 2025-26 to 2030-31 combined was a saving of £(3.1) million (taking the lowest indicative figure for pension shortfall payment and the apprenticeship programme savings). The higher cost "estimate" was a cost of £33.4 million. This was based on a commencement date of 1 October 2026.

The revised lower cost estimate is a saving of £(1.0) million and the highest cost estimate is now a cost of £21.6 million. **So the higher cost estimate has been reduced by almost £12 million (or around a third)**. These revised costs are based on a commencement date of 1 April 2027. Changes to the higher cost estimate arise from the following changes to contributory higher cost estimates:

Higher cost estimates: changes	**£, million**
(A) Financial memorandum	**33.4**
1. The pension shortfall payment – adjusted down	(15.0)
2. Employer pension contribution (4 years) – a new cost	4.0
3. IT system costs – a new cost	4.0
4. Restructuring costs – a new saving	(4.2)
5. Transition costs in 2025-26 – increased	0.2
6. Moving commencement to 1 April 2027	(0.6)
(B) Revised higher cost estimate	**21.6**
Difference: (B) minus (A)	**(11.8)**

The table on the previous page is based on revised estimates for some one-off costs and some recurring costs.

We can have revised estimates for the following one-off costs:

Item	Financial memorandum	Revised estimate
Pension: shortfall payment (2027-28) (row 1 above)	£1 million to £23 million illustrative range	£1 million to £8 million estimate
IT systems (row 3 above)	Nil	Up to £4 million
Restructuring costs (assumed to occur over the three years 2027-28 to 2029-30) (row 4 above)	Nil	£4 million to £8.5 million
Transition: non-staff (2025-26) (row 5 above)	Nil	£200k
Transition: staff (2025-26) (no change to higher cost estimate)	£540k to £1 million	£1 million
Transition (2026-27) (no change to higher cost estimate)	£2.1 million to £3.7 million	£3.7 million

Note that one-off costs may span several financial years.

The following updates are provided to recurring costs:

Item	Financial memorandum	Revision
Pension: employer contributions from 1 April 2027 (row 2 above)	Nil	Up to c. £1 million
Restructuring costs (assumed to build incrementally over the three years 2027-28 to 2029-30) (row 4 above)	Nil	Saving £2 million to £4.25 million
Moving commencement to 1 April 2027 (row 6 above)		Saving £600k

The one-off restructuring costs are incurred before the recurring savings fully materialise so, whilst we are forecasting a net saving over the six year period, there will be a need to make budgetary provision to cover the costs.

Points raised by the Committee

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.

We welcome the Committee's acknowledgement of the challenges and we are working continuously with the public bodies to improve the cost estimates.

We wrote to SDS and the SFC in June asking for their assistance in providing updated cost estimates. They have worked collaboratively over the summer period to do this and provided updated information to the Scottish Government.

Numbers of staff affected

The Financial Memorandum assumed that between 148.4 and 174.6 FTE staff would be in scope to transfer from SDS to the SFC across a range of grades based on August 2024 data. SDS's latest estimate has reduced the range to between 142.5 FTE and 166.3 FTE based on July 2025 data. SDS advise that the 142.5 FTE relates to 219 people (the 148.4 FTE previously related to 238 people) which would be in scope of formal consultation on the transfer. There is a process to go through to determine the final number of people who will transfer, which includes consulting unions and staff. Therefore, the current staff number estimates are based on the current cost to service National Training Programme and apprenticeship development and delivery within SDS. The updated pension costs provided below are based on a range of 150 to 180 people, reflecting uncertainties in converting FTE work allocations into people in scope, ahead of formal consultation. When the Scottish Government has data on the actual number of people in scope for transfer, we will share this with the Parliament.

Due process

The Scottish Government shares the Committee's view that providing clarity as to whom is in scope for transfer as early as possible is in everyone's best interest. As the Committee will be aware, there is a complex relationship between the functions proposed for the SFC in the Bill, the staffing required to deliver those functions, and the associated costs. Logically, it is necessary first to define the functions, then engage with staff and unions regarding transfer arrangements, before finalising cost estimates. It would have been premature, and have presumed the will of the Scottish Parliament, to engage staff and unions in detailed staff transfer discussions before the Bill had been introduced to the Scottish Parliament.

We can now provide narrowed cost estimates; these are set out below. The SFC and SDS will also begin more detailed engagement with staff and unions in the coming months, subject to the Bill being passed at Stage 1.

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.

SDS will respond to the Committee directly on the point raised at paragraph 123. Over the summer, SDS, the SFC and the Scottish Government have worked together to refine the cost estimates and the assumptions that underpin them, not least through a number of detailed workshops. The Scottish Government, SDS and the SFC have now converged on a set of estimates which are narrower than those in the Financial Memorandum.

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.

The SFC has considered further the resource needed to deliver this change project. The SFC agrees with the Committee that this is a significant piece of work and it needs to be resourced appropriately in order to be successful. We want to assure the Committee that the SFC and Scottish Government recognise the scale of the project and will invest in its success. We have explained how we intend to approach the changes at the SFC in response to paragraphs 57 to 60.

Transition staff

Table 5 and paragraphs 60 to 64 in the Financial Memorandum set out the costs and rationale for a transition team to help manage the changes. The Financial Memorandum said that a transition team would be established within the Scottish Government, including a range of specialists potentially including HR, finance, procurement, digital, data and systems. It said that some of this will be achieved through secondments or loans from SDS and the SFC. Since then, it has become clear that the bulk of the transition will be managed by the SFC and, whilst some temporary additional posts have been created in the Scottish Government, the bulk of the transition staff funding identified in the Financial Memorandum will be spent at the SFC.

Our latest estimates for 2025-26 are that we will spend around £800k for transition staffing across the three public bodies and £200k on non-staff costs across the three public bodies and Scottish Government on things like actuarial advice, tax advice and completing a full business case. We are also anticipating spending around £200k on additional temporary civil service posts within the Scottish Government. All of this is temporary expenditure funded from the Reform Programme Level 4 in the Scottish Budget.

The SFC's latest estimates for 2026-27 are at the top end of the costs in the Financial Memorandum for transition costs (Table 4 of the Financial Memorandum), assuming that some of their anticipated staff costs could be significantly mitigated through a combination of formal and informal collaborative working or secondments across public bodies.

Permanent staff

The margins in the estimates of numbers of people transferring from SDS to the SFC allow for some flexibility in the final staffing configuration of the SFC. For example, by agreement between the two organisations, some SDS staff beyond the numbers strictly within the scope of transfer might additionally transfer to support the SFC's

wider functions. The feasibility of this under TUPE regulations will be determined as part of the formal trade union TUPE consultation process.

IT systems

Paragraph 88 of the Financial Memorandum provided estimates for IT equipment only. Paragraph 108 assumed that other system requirements would be subsumed into subsequent IT upgrades; i.e. that such activity required under business as usual would be adjusted appropriately for the reform trajectory. Subsequent work has identified that there is likely to be a cost in making arrangements for the safe transfer of core apprenticeship systems so that service to learners, providers and employers remains uninterrupted as responsibilities move to the SFC on 1 April 2027. SDS has provided an initial estimate of the cost of one option: a full transfer ("lift and shift") of the Funding Information and Processing System (FIPS) and tightly coupled components to the SFC. This is estimated by SDS to cost around £4 million.

To ensure value for money and continuity of service, SDS and the SFC have agreed to undertake joint feasibility and due diligence phase from October to December 2025. This will include a structured options appraisal, considering options such as a hosted or managed service in line with the same goal of full transition to SFC. This process will generate robust, evidence-based costings and enable a joint recommendation on the option that delivers the greatest value for money. We anticipate that there may be other, cheaper options.

The Scottish Government expects to receive updated cost estimates by 31 December 2025 and will update the Scottish Parliament as soon as they are available.

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.

Approach to pensions

The approach to pensions for transferring staff is a complex matter; there should be appropriate arrangements to protect occupational pensions. This is for the public bodies to work out in consultation with their staff and unions. The Scottish Government has made it clear to the public bodies that they must seek the approval of the Scottish Government before committing to any course of action that incurs

costs which would require them to exceed their agreed Total Operating Cost budgets, for example additional expenditure around pension transfer costs which they would be looking to the Scottish Government to meet.

Pension shortfall payment

Paragraph 76 of the Financial Memorandum sets out an illustrative range of £1 million to £23 million based on extrapolation of five other cases. The revised estimated range is now in the region **£1 million to £8 million** based on actuarial modelling by the Government Actuary's Department, albeit there remains significant uncertainty due to staff numbers, grade and length of service etc. This represents government actuaries' best estimate based on the information currently available. Any shortfall payment would be expected to arise in financial year 2027-28. For more information, see **Annex A1**.

Ongoing employer contributions

The Financial Memorandum omitted the costs for revised pension contributions on an ongoing basis. The variation between the current employer future service contribution rates is 0.7% (before adjustment for surpluses or deficits). However, there are significant corrections currently operating to manage a deficit in the Civil Service Pension Scheme (across the UK) at the 2020 valuation and a surplus in the Strathclyde Pension Fund at the 2023 valuation leading to a variation between the schemes at March 2027 of 16.7%. This difference might reasonably be expected to narrow to from 1 April 2027[1]. For more information, see paragraphs 13 and following at **Annex A1**.

Depending on a number of factors, including the number of staff who transfer employment from SDS to the SFC, the result of the revaluation of both pension schemes and the revised pay scales and terms and conditions of transferred staff, the annual additional cost of employer contributions could reasonably be expected to be in the range from negligible (less than £100k per annum) to around £1 million per annum, based on a 12% differential after 1 April 2027.

Restructuring costs

SDS has provided the following advice.

The following costs have been prepared without prejudice to formal consultation obligations. As a result of simplification, this will reduce the size, scale, complexity and business purpose impacting SDS's organisational remit and grant in aid budget. Furthermore, the way in which SDS is organised to enable service delivery is through a multi-team approach to providing shared functional expertise and resource in support of the range of front-line services delivered to maximise operational efficiencies. This efficiency will diminish. SDS has identified that there is likely to be the need for restructuring after the transfer has completed and taking at least three years involving headcount reductions which might cost £4 million to £8.5 million in

[1] If for no other reason than due to the anticipated increase in the SCAPE discount rate used for the CSPA valuation, which should reduce the long-term cost of CSPA benefits and also reduce any past deficit.

redundancy costs, if not mitigated through redeployment and natural attrition. Over time, this would translate into a recurring saving pro rata of £2 million to £4.25 million per annum in salary costs. More information about this is at **Annex A2**.

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.

It is important to remember that all staff transferring to the SFC are already accommodated by SDS; there are no new people to house. The SFC will require additional space to take on these additional staff. The Financial Memorandum assumed that reduced estate costs for SDS would be balanced by expanded estate costs for the SFC.

The SFC is already considering its accommodation requirements in line with the single Scottish estate programme. Taking on new responsibilities will be part of these considerations and the SFC will look for opportunities to work with other public sector partners to ensure efficiencies in its estates strategy in line with the Public Service Reform priorities.

The Financial Memorandum additionally allowed for additional ongoing estate costs of £300k per annum (20 people) to manage the change. We believe this remains a reasonable estimate of the estate costs of additional staff involved with managing the change.

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.

We have provided more accurate costings in this **Annex A** which we hope allows the Committee and other members to support the Bill at Stage 1. We have explained the challenges in developing detailed costings in answer to paragraphs 121 and 122 above.

But we commit to updating the Committee as further progress is made.

ANNEX A1

STAFF TRANSFER: PENSIONS

Shortfall payment

1. At the Education, Children and Young People Committee evidence session on 28 May 2025, the Minister undertook to update the Committee on the cost of delivery, especially in relation to the pension shortfall payment.

2. The Financial Memorandum gave an illustrative range of £1 million to £23 million based on extrapolation of five other cases by the Scottish Government. Since then, the SFC has engaged the Government Actuary's Department (GAD) who have provided an estimate based on data supplied by the SFC, relevant to the specific transfer from the SDS pension scheme (Strathclyde Pension Fund, SPF) to the SFC pension scheme (Civil Service pension arrangements, CSPA).

3. The three main variables are: the number of staff transferring employment from SDS to the SFC; the number of those people taking up the offer of transferring their accrued pension benefits from the SPF to the CSPA; and the average expected shortfall per case.

4. The following estimates are provided without prejudice to negotiations with SDS and staff over who is in scope for transfer and the terms of transfer offered to them:

Number of staff transferring	Percentage take up	Shortfall payment range, £ million
150	20%	1 – 2
	80%	4 – 7
180	20%	1 – 2
	80%	5 – 8

The shortfall payment range is rounded to the nearest million.

5. The estimated range is now in the region £1 million to £8 million with significant uncertainty, as explained below. This is the best estimate based on the information available at this time.

Methodology

6. GAD has made approximate calculations based on an average cohort of SDS staff members who are currently age 49, have 16.9 years past service pension in the SPF, a current salary of just over £45k and are 30% male and 70% female.

7. GAD has, for this hypothetical cohort, determined the bulk transfer value that the SPF might be expected to be willing to pay to the CSPA (Civil Service pension arrangements - comprising the Principal Civil Service Pension Scheme and alpha (the CARE scheme introduced from 2015)). As far as the amount of money required by the CSPA is concerned, there are standard CSPA funded terms that vary over time (as market conditions change), which are set by UK Government.

8. For the purpose of estimating the likely financial impact of any transfer, GAD used the last published (2023) SPF funding valuation basis and the current CSPA funded terms, with financials at 31 March 2023 for consistency with the SPF assumptions.

9. GAD's estimate of the expected CSPA funding requirement at 1 April 2027, based on the current CSPA basis with 31 March 2023 financials (as explained above) is £260k (per person that transfers their benefits) compared with an estimated SPF funding liability at 1 April 2027 (again with 31 March 2023 financials) of £225k to £230k, i.e. a £25k to £30k shortfall per head or very broadly 10% shortfall. These figures are approximate and rounded.

10. GAD has made the following assumptions:

    a) all transferring staff are "average" as set out above;

    b) all transferring staff are two years older at April 2027 and will have accrued a further 1 year 8 months' pension;

    c) pensionable salaries will increase by 7.7% between now and April 2027; and

    d) all transferring staff were in service on 1 April 2012 and therefore subject to the "McCloud Remedy" so that their benefit in respect of service from 1 April 2015 to 31 March 2022 will be subject to a final salary underpin in the SPF|.

Uncertainty

11. The range of £1 million to £8 million for the potential shortfall represents GAD's best estimate based on the information currently available. GAD have advised that a shortfall towards the top end of this range represents a conservative view, and it is entirely possible that there may be no shortfall at all.

12. However, it is also possible that the shortfall may exceed the top end of the range, particularly due to the impact of changes in market conditions which could increase or decrease any shortfall, as the SPF has an investment strategy of 60% in equity-type investments which makes the valuation particularly volatile. There are also further uncertainties:

    a) the scale of deviation from the average age, length of service and salaries in the actual cohort of staff transferred;

    b) whether all staff are in scope of the McCloud Remedy - less benefit being final salary (or CARE with a Final Salary Underpin (from the McCloud Remedy)) would be expected to reduce the estimated shortfall;

    c) take-up of the offer, in a cohort of this size 100% take-up would be highly unusual;

    d) the amount payable by the SPF, which is currently in surplus (147% funded at last valuation), giving the transfer a financially favourable starting point,

noting that the valuation at 31 March 2026 is likely to be a relevant determinant[2];

e) the amount required by the CSPA which could change between now and April 2027, firstly to reflect any demographic changes from the 2024 valuation of the CSPA, secondly due to changes in the yields on relevant gilts and thirdly it could just be reviewed.

Contribution rates

13. As the CSPA provides higher pension benefits overall than the SPF, and most members will pay lower contributions under the CSPA than under the SPF, there will almost certainly be higher ongoing employer contributions in respect of transferring employees under the CSPA. These costs were not identified in the Financial Memorandum. Both pension schemes (CSPA and SPF) are currently undertaking reviews of the employer contribution rates. Early indications suggest that these reviews might result in greater alignment.

14. Under the CSPA, the employer's current contribution rate for future benefits is 23.6%, compared with a corresponding normal future-service employer contribution rate under the SPF of 22.9%. In addition, under the CSPA there is an additional contribution rate of 5.1% required to fund a deficit at the 2020 valuation, whereas under the SPF there is a saving of 10.9% (for the 2026/27 year) due to a surplus at the 2023 valuation.

Future employer contribution rates

15. The Scottish Public Pensions Agency has provided the following information on future employer contribution rates.

16. Employer contribution rates in all public service schemes are variable. The current employer contribution rate for Skills Development Scotland was set by Strathclyde Pension Fund following the fund valuation in 2023. The next valuation will take place in 2026 and will determine employer contribution rates payable from 1 April 2027.

17. The employer contribution rate in the unfunded Civil Service Pension Scheme was set following the completion of the 2020 scheme valuation, which has an implementation period from 1 April 2024 to 31 March 2027. The next valuation, which will be based on data at 31 March 2024, will determine employer contribution rates payable from 1 April 2027.

18. The valuations of unfunded public service schemes are undertaken using assumptions primarily directed by HM Treasury. One of the key financial assumptions in the HM Treasury Directions is the discount rate, known as the SCAPE discount rate, which is set in line with expectations for long-term UK GDP growth. Over the most recent valuation cycles, those long-term expectations have fallen, leading to a reduction in the SCAPE rate. In isolation, a higher discount rate leads to a lower contribution rate and vice versa.

[2] The legal timeline for finalising a valuation is 15 months, so, in practice, the valuation of the SPF at 31 March 2026 may not be finalised until 30 June 2027. However, this will provide the SPF actuary with an updated view of what it can or should pay.

However there are many other key assumptions and variables that can significantly impact the outcome of a valuation.

19. The most recent long-term GDP forecasts published as part of the Office for Budget Responsibility's Fiscal Risk and Sustainability Report 2025 are higher than the forecast used to determine the SCAPE rate at the 2020 valuations. All else being equal, an increase in the SCAPE discount rate would act to reduce the employer contribution rate to some extent. However, the UK Government will determine when the SCAPE rate is set, and long-term GDP expectations could change in the interim.

ANNEX A2

RESTRUCTURING AND DIMINISHED NEED

The following explanation has been provided by SDS, without prejudice to formal consultation obligations under employment law.

Following external legal advice, informed by TUPE Transfers in practice, as part of the transfer planning and preparation SDS have assessed the financial and employee relations risk and exposure to diminished need as a result of the transfer of function.

Diminished need will arise firstly due to the reduced size, scale, complexity and business purpose as a result of the transfer of National Training Programme (NTP) administration and funding that impacts SDS's organisational remit and grant in aid budget from 1 April 2027.

The second area of diminished need arises from the way in which SDS is organised to enable service delivery. We have a multi team approach to providing shared functional expertise and resource in support of the range of front-line services delivered to maximise operational efficiencies. This approach will create a challenge for determining the overall resource which enables NTP delivery, and which could be in scope of the transfer, beyond the primary consideration of the organised grouping of staff in the NTP directorate.

In determining roles in scope, beyond an organised grouping, there is no specific percentage of time which an employee must devote to an undertaking before being regarded as assigned to it. Generally speaking, the more time an individual spends on the undertaking the more likely they will be assigned to it. Whilst it would normally be accepted that these roles are not in scope of the transfer, recognising increasing scale and complexity for the SFC post the transfer, both organisations have agreed to the principle of maximising redeployment across the organisations. However, on the basis such an approach is not normal practice, it will require deeper due diligence and discussion with legal, and then in formal consultation with trades union partners, as to whether this can be a legal obligation between parties as reasonable redeployment under redundancy consultation rather than under TUPE.

Even in explanation, this is a complex matter to set out and as such it is prudent to anticipate increased operating costs and employer liabilities in the range set out for a minimum period of three years after the transfer. This is assumed to be a reasonable time frame in which SDS can work to achieve a sustainable operating model with the appropriate workforce profile aligned with the future remit and function of SDS as an organisation beyond March 2027.

ANNEX B

TERTIARY EDUCATION AND TRAINING (FUNDING AND GOVERNANCE) (SCOTLAND) BILL – SCOTTISH GOVERNMENT'S RESPONSE TO THE EDUCATION, CHILDREN AND YOUNG PEOPLE COMMITTEE STAGE 1 REPORT

Ref.	Recommendation/Comment	Scottish Government response
Part 1 – Functions of the SFC		
General duties of the SFC		
Para 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.	We note the Committee's conclusion and acknowledge that many stakeholders have been seeking further information in relation to this transfer. Over the summer, we have been engaging directly with some stakeholders and we will continue to do so during the Bill process to endeavour to address those caveats. We welcome the written and oral evidence provided by a wide range of individuals and organisations. What is clear from all the work to date, from the skills review by James Withers, through to the public consultation and the development of the Bill proposals and supporting documents, is the strong consensus across private and public sector that 'business as usual' is no longer sustainable and that structural change is needed. **The Bill is essential to simplifying the funding landscape** – the changes we are making are guided by what we have heard and a shared commitment to doing better for learners, employers and the tertiary education sector.

Paras 57 to 60	The Committee recognises, for example, some organisations' concerns about the SFC's lack of experience in working with independent training providers. 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. 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. The Committee notes that SFC's view is that an expanded staff base will allow it to fulfil all its current and future obligations.	We recognise the scale of change needed to implement the Bill. Fundamentally, the Scottish Funding Council ("the SFC") will be **a redesigned funding body with a new mission**, new vision, new objectives and a new culture and set of values. Staff in Skills Development Scotland ("SDS") currently involved in the administration of national training programmes and apprenticeships will be transferred to the SFC. This means that the **expertise of these SDS staff will support the SFC in its new mission**. This will enable the SFC to forge strong relationships with all those who are critical to delivering apprenticeships including independent training providers and employers. **The SFC already has experience of managing significant change** in the sector. It is already responsible for the funding of graduate apprenticeships and around half of foundation apprenticeships. The SFC manages funding for around new 1,200 graduate apprenticeship places annually, and 2,500 new foundation apprenticeships each year. Over the summer period, both SDS and the SFC worked collaboratively to consider the plan for transition. They have been engaging in a series of workshops to share knowledge on the apprenticeship programme as well as the IT systems and processes that support it. We expect SDS and the SFC to continue working together to develop the detail of a transfer plan that will see colleagues from both

		organisations working collaboratively to build this new future. Part 2 of the Bill makes changes to the governance of the SFC to ensure it can deliver its expanded remit and functions. This includes a statutory apprenticeship committee to help deliver its new apprenticeship functions. Furthermore, the SFC will be able to co-opt members to its Board to assist the Board; co-opted members could offer advice and challenge on managing the transition.
Para 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.	The SFC already works closely with institutions on sustainability as part of its statutory responsibility for coherent provision of high quality further and higher education. This includes monitoring financial health across the sector through the SFC's Financial Memoranda with universities which set out the formal accountability relationship between SFC and institutions. The Bill puts this monitoring on an explicit statutory footing by **creating a duty for the SFC to secure the monitoring of financial sustainability**, and to provide Ministers with that information. This means that the SFC will have greater authority to seek and secure information from institutions which will give further reassurance that the right information is received in a timely manner. This provision brings the duties of the SFC in line with comparable bodies in the rest of the UK: the legislation which governs the Office for Students in England and Medr in Wales

		includes a duty to monitor and report on financial sustainability of the education providers over which they have oversight. As the Minister set out to the Committee in his letter of 24 June, following in-depth discussions with the SFC and SDS, **a high-level model for skills planning has now been agreed**. We have accepted the Withers Review recommendation that the Scottish Government should lead national skills planning and strengthen regional approaches. The Scottish Government will take lead responsibility for national governance and oversight, setting strategic direction, skills prioritisation and provision policy. SDS will have lead responsibility for skills needs assessments at the national and regional level and will continue to use these to drive the delivery of their careers services. The SFC, as a redesigned funding body, will lead responsibility for provision planning, delivery and reporting. The Scottish Government will also identify a mechanism for independent review and evaluation. All three partners will collaborate to ensure employer engagement across the model, and make collective efforts to improve underlying data, evidence, and intelligence systems. Bringing all provision funding together at the SFC allows for a more coherent response to skills needs. At present, the careers service (at SDS) is in a separate organisation (SFC) from college and

		university funding; yet college or university courses are important steps for many people in pursuing their career choices. **There is a logic to SDS's remaining functions**: employer engagement and skills needs assessments to understand the demand for skilled workers and the careers service and PACE help people to understand their options, which provides some intelligence on supply. I.e. SDS has responsibilities in relation to skills needs and orientation; and the SFC will secure provision of the necessary education and training. **The Scottish Government will ensure that skills priorities are communicated clearly to all partners including those providing career support**. (Career support in Scotland is provided by a number of partners, including SDS, Developing the Young Workforce, colleges, universities, and the third sector).
Paras 62 & 63	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. 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	The Bill enables an increase in the range, quality and quantity of apprenticeships and work-based learning in Scotland, as a result of simplifying the funding landscape and better joining up the support and enabling functions in relation to apprenticeships. Allocations, and the range of apprenticeship frameworks available, will continue to be informed by close consultation with employers and employer groups, as well as priorities identified through reformed national and regional skills planning.

	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.	There is a strong demand for expanding the graduate apprenticeship offer and it is our intention to do just this. **This expanded offer will cover a wider range of sectors and occupations to support employers' skills needs, the economy and vital public services. We will implement changes to the development process of graduate apprenticeships, including the assessment of demand for new frameworks and the framework content**. This work, which will be done in close collaboration with the university sector and employers, will progress immediately. We know that the current process is seen as a barrier and we intend to create a streamlined and faster development process. The Bill will help ensure that this faster development process is effectively overseen by the SFC who will be tasked with leading this. Universities Scotland, employers and learners will, of course, be engaged as this work is progressed. **The Scottish Government greatly values the opportunities provided to young people through foundation apprenticeships** and we have no intention of getting rid of the work-based learning they provide. We want work-based learning to deliver the very best outcomes for young people and to facilitate pathways through education and into work. We will look at ways of expanding the range of opportunities, but this must be built on a robust

		evidence base of what works across Scotland and for different learners. We are committed to **maintaining and strengthening employer involvement in apprenticeship and work-based learning development and delivery**. Employers will continue to be an integral part of the apprenticeship system through their involvement in the SFC's governance structure including the new apprenticeship committee. New appointments are also being made to the SFC Board in October 2025 and November 2026 which will provide an opportunity to strengthen the SFC's employer experience. **The SFC has a strong track record of working with employers and industry sectors** directly, and indirectly through colleges and universities. These relationships enable the SFC to develop and maintain insight and knowledge on the skills gaps and priorities within the sector which help inform their engagement with institutions to support provision and curriculum planning. However, **the Bill and implementation will take the SFC's employer engagement to a new level** appropriate to its new responsibilities.
Para 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	We are committed to ensuring that the Bill and implementation are effective and deliver the promised improvements. We agree with the Committee on the importance of demonstrating this publicly and we are

	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.	happy to explore some form of commitment to review. There is already a lot of work underway to identify gaps in provision and how to address them, particularly on graduate apprenticeships. One of the aims of reform is to create more coherence in the education and skills system, including better pathways for learners. Evaluation will be an important part of how we measure the success of reform and this will include the views of employers, training providers and learners. **We are establishing a benefits management approach so we can measure the benefits of reform, report on them and take action if these are not being achieved as expected**.
Para 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.	We have given careful consideration to suggestions around protecting or ringfencing apprenticeship funding. However, the funding allocations for higher education, colleges and apprenticeships are properly determined by the Scottish Budget process. **The Bill expands the Scottish Ministers' existing duty to provide appropriate support for the provision of fundable further and higher education to include support for apprenticeships and work-based learning**. The Bill provisions include specific powers for Ministers to provide grants to the SFC for those purposes. The Bill provisions also expressly require that such grants issued by the

		Scottish Ministers are to be administered by the SFC only for those specified purposes. The Bill also amends the SFC's existing overarching duties to place responsibility on the SFC to secure the coherent delivery of the new functions of work-based learning and apprenticeships, as a whole, alongside the further and higher education and research (at institutions) it already funds. The Scottish Ministers set out their strategic guidance on priorities for the SFC through the Letter of Guidance. The Scottish Ministers will set out their expectations regarding the funding and delivery of apprenticeships through this letter.
Creation of a new body		
Para 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.	We note the Committee's view and agree.
Para 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	We agree with the Committee that the unions should be engaged at all stages of the process and that they have a pivotal role to play in the changes needed to implement the Bill and we want to ensure that their voices, and voices of all staff, are heard. **We acted quickly after the Stage 1 evidence session with unions to meet to discuss to their concerns**. We have established a regular forum with the trade unions where discussions relating to the

	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.	implementation of the Bill are discussed. The Minister met with the Scottish Trade Unions Congress, and relevant member trade union representatives, over the summer to discuss a range of matters regarding the Bill and wider reform programme. We have also established a group with all public bodies where staff communication and engagement are regularly discussed. **It is for the public bodies, as employers, to lead on engagement with all of their staff**. The Scottish Government expects both SDS and the SFC to have meaningful and timely engagement with all staff, and we have been reassured by both organisations that they are very much committed to doing so.
Para 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.	We share the Committee's views and agree that the transition across the public bodies need to be carefully managed. This is a key priority for us. In June 2025, the Scottish Government wrote to SDS and the SFC outlining our expectations for them to develop a plan for staffing arrangements, including any transfers, which is consistent with the redesigned funding body being responsible for securing and funding all apprenticeship delivery from 1 April 2027. In this letter, we emphasised to the public bodies our expectations for them to demonstrate a clear commitment to the Scottish Government's Fair Work First approach in general and, in particular, as part of the staff transfer arrangements. This includes ensuring that employees are treated with dignity and

		respect, that their voices are heard, and that they are meaningfully engaged throughout the process. Public bodies should also promote job security, fair pay and a healthy work-life balance, ensuring that the transfer supports a positive and equitable working environment for all staff.
Para 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.	**The changes lay the foundations for improved data collection and publication** across the tertiary education sector as a result of the Bill and other reforms. This will take time to deliver but **there will be no detriment in data availability as a result of the changes in April 2027**. SDS and the SFC are working closely together to identify possible solutions in order to ensure there is service continuity and enhanced data quality from April 2027. This includes the transfer of FIPS[3] (or similar) to the SFC. We will update the Committee on this work as soon as further information becomes available.
Costs of the Bill		
Para 121 to 128	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	These points are answered at **Annex A**.

[3] The Funding Information and Processing System (FIPS) is the current IT system used by SDS to administer learner training records and claims payments for apprenticeships.

	involved in providing best estimates in relation to the Bill. 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. 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. The Committee notes and is concerned by the significant costs that have now been suggested by SDS for the implementation of the Bill. 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. 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 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.	

	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		
Paras 154 & 155	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. 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.	**There will be no change to funding arrangements for work-based learning (currently foundation apprenticeships) on 1 April 2027**. The changes we are making, and the provision in the Bill, do not place any less importance on foundation apprenticeships. The Bill makes provision for work-based learning, which largely covers what is currently delivered through foundation apprenticeships. Foundation apprenticeships are a unique offering within the senior phase curriculum, providing students with experience of the world of work outside of employment. Foundation apprenticeship funding is currently split between SDS and the SFC. The SFC funds foundation apprenticeships that are delivered by colleges as part of the senior phase curriculum on behalf of schools. From April 2027, the SFC will take on responsibility for funding work-based learning delivered by local authorities, independent training

		providers and some schools. **By consolidating all apprenticeship and work-based learning funding in one body, we will create a more streamlined and transparent system**; we will be able to more effectively align provision with the evolving needs of the economy and the training and skills needs of our young people. Once the funding is consolidated in the SFC, we will consider the funding arrangements for work-based learning to support a wider range of delivery models providing what young people need to help them thrive.
Para 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.	We note the Committee's views and will give careful consideration to this suggestion during the passage of the Bill.
Para 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.	We agree.
Para 169	The Committee acknowledges calls for the development of more graduate apprenticeship	The Graduate Apprenticeship Enhancement Group has established three workstreams based on

	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.	comprehensive evidence gathering over several months. These workstreams are focusing on: • Improving the development process to make it easier to develop and deliver new graduate apprenticeships; • Developing new delivery models, including strengthening progression routes and improved support for learners; and • Scoping for expansion and additional investment. As part of this work the Scottish Government will also look at how to increase and broaden employer engagement in development and delivery. The Group is aiming to have an initial set of recommendations by October 2025. Implementation of some of the recommendations will be aligned with academic years to minimise disruption to courses which have already started, but others will be implemented at pace. As noted in the response to paragraph 62 and 63, we will introduce improvements to the development process quickly to ensure that that the breadth of graduate apprenticeship frameworks can be expanded. We will provide the Committee with regular updates on this work.
Scottish apprenticeship certificates		

Paras 186 & 187	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. 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.	**Current arrangements for issuing apprenticeship certificates will continue immediately after April 2027**. Later changes to the certification processes will be developed in consultation with employers and other stakeholders as part of consideration of the future modern apprenticeship delivery model. The Scottish Government believes that the certification system could operate more efficiently and transparently in the longer term. This need not have any detrimental impact on the sector skills bodies. We will seek to meet with Skills Federation and Skills Sector Councils to discuss this further.
Funding for apprenticeships and work-based learning		
Para 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.	We note these concerns but would envisage the profile of apprenticeships actually increasing. The SFC will be supported in apprenticeship delivery by a dedicated cohort of staff transferred from SDS, very significantly expanding the size of the SFC. The SFC will become a new organisation with their help. **We are absolutely committed to apprenticeship delivery and improving the offering**. Furthermore, putting apprenticeship provision on a statutory footing alongside further and higher education, promotes parity among different types of provision, provides more consistency and cohesion, as well as in the longer term, more choice for young people leaving school.

Para 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.	Budget transfers are approved via the Scottish Government's Autumn and Spring Budget Revisions. This is routine parliamentary business to propose amendments to better align the Government's budget with its planned spending profile. The Scottish Government allocates funding to the SFC across several lines in the Scottish Budget. The Scottish Ministers set out their high level priorities for the SFC through the annual Letter of Guidance. The Further and Higher Education (Scotland) Act 2005 ("the 2005 Act") and the Bill provide for the Scottish Ministers to attach terms and conditions to grant funding. Together, these dictate the purposes for which the SFC must use the funding provided to it. Regarding in-year transfers, we believe that the Committee is referring to the £10 million of the £22 million provided to the University of Dundee. In the SFC's letter to the Committee on 20 May 2025, the SFC explained that this was "reprofiled funding". **Reprofiling funding means adjusting the timing of funding** being spent. In this specific case, there was a projected underspend for FY 2025-26 relating to a ring-fenced capital project which would, by default, return to the Scottish Government. The Scottish Government decided to reprofile £10 million of this funding to support the university sector in FY 2025-26. SFC subsequently allocated this funding to the University of Dundee, alongside £12 million of Financial Transactions funding made available by Scottish Government.

Para 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.	Further detail is provided in the response to paragraph 65.
Para 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.	**We are committed to ensuring a mixed delivery model for apprenticeships is maintained**. We note the Committee's concerns about the current phrasing and will consider how the language in these provisions might be further clarified ahead of Stage 2.
Para 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.	**We agree. The changes made by the Bill facilitate greater transparency**. Currently, funding is split between SDS and the SFC; the Bill will bring this together which will simplify and streamline the administration of these funds. This transparency has been, and would remain, very difficult to achieve under current arrangements.

Managing agents		
Para 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.	**In April 2027, the current funding arrangements will remain in place, including those for managing agents**. The role, responsibilities and funding arrangements for managing agents will be considered as part of a new modern apprenticeship delivery model. We are committed to working with stakeholders including SDS, SFC, Colleges Scotland and the managing agents themselves, to ensure that the funding model is sustainable for the future. The Bill gives the SFC a power to issue guidance to persons and bodies it funds which will also apply to managing agents in receipt of funding. The SFC can also include other relevant conditions through the terms and conditions of funding.
Information sharing		
Para 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.	Recent reviews of the post-school landscape have identified gaps in the collecting and reporting of consistent information on performance, impact, outcomes, and value for money. It is, therefore, the Scottish Government's intention to ensure that the SFC receive the right quality and frequency of information from organisations they fund. We expect that this will include information on financial health, coherence of provision and delivery, performance and outcomes. For example, the SFC might require persons in receipt of funding to provide information to the SFC about any failure to meet targets previously

		agreed with the SFC through grant or contract awards. We believe that having access to this information will help provide assurance to the government, and the Scottish Parliament, on proper governance and financial management across the tertiary education sector. The SFC already has the power to require such information as it may reasonably require for the purposes of, or in connection with, the exercise of any of its functions from certain bodies in section 22(4) of the 2005 Act. Those bodies are set out in section 22(5) and include the institutions which currently receive funding from the SFC under the 2005 Act. This duty will also extend to the additional functions conferred on the SFC by the Bill. The Bill also contains a new provision which relates specifically to the new functions of national training programmes, apprenticeships and work-based learning. Any person funded by the SFC under those provisions will be required to provide the SFC with such information as the SFC may request for the purpose or **in connection with the programme or training being delivered by that person and funded through the SFC**. Regarding the SFC's capacity to deliver their new functions, we have responded to this at paragraph 59.

Paras 261 & 262	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. The Committee asks the Scottish Government to consider whether this Bill offers an opportunity to address any obstacles to data-sharing.	The Scottish Government has already undertaken significant work to explore possible solutions to data sharing, including data protection, to enable indicator information (including data on Free School Meal receipt) to be shared with universities to allow their contextual admissions policies to be targeted to applicants from low-income households. This has included extensive engagement in recent months with key partners including the Information Commissioner's Office, UCAS, SAAS, SDS and college and university representatives. We are actively considering measures to support sharing of Free School Meal data or any other suitable proxy measure for the purposes of widening access. We will, of course, involve our Commissioner for Widening Access and the Information Commissioner's Office in that consideration. **We are cautiously optimistic that this Bill does provide an opportunity to make appropriate provision for data sharing.** We hope to be able to bring forward amendments to enable this at Stage 2 and look forward to the Committee's support in that regard
Notifications to the Council by post-16 education bodies		
Paras 270 & 271	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. The Committee notes requests from Higher Education Institutions to the Scottish Government to provide	The purpose of this provision is to ensure the post-16 education bodies proactively notify the SFC of certain developments of which the SFC might otherwise be unaware. This will enable earlier sight of potential issues as early warning signs emerge, with the opportunity for intervention and support before a

	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.	situation escalates, and will give institutions a clear framework for engaging the SFC. The Bill does not set out what those notifiable events are. But **the Bill requires the Scottish Ministers to consult with the SFC and sector before setting out those events in regulations. These regulations are to be subject to the affirmative procedure, providing maximum parliamentary oversight**. We will consider what further information we can provide on this matter ahead of Stage 2, particularly in light of the findings of the Gillies Report. The SFC had already been considering its approach to institutional scrutiny and has developed its thinking further in the light of the Gillies Report. The SFC will be publishing a report on what it has learned about the sector and institutional governance from analysis of governance effectiveness review reports and the Gillies Report; the SFC's expectations of sector governance; and how the SFC will monitor governance. Separately, Universities Scotland will be publishing a sector response to the Gillies Report. We will continue to engage with all this work as it develops. We would also welcome the Committee's views on what these events might be, and would maintain that such detail might be better placed in secondary legislation.
Additional powers for the SFC		
Recommendations to fundable bodies		

Paras 282 & 283	The Committee notes the concerns about a lack of clarity in this section, and the potential, unintended consequences of that. 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.	It is important to note that the powers to initiate efficiency studies already exist under the 2005 Act. The Bill does not change the "threshold" for conducting an efficiency study but does expand the scope to include specific consideration of the needs and interests of students**. Given the core function of fundable bodies in providing education and training to students, it seems appropriate that their needs and interests can be considered as part of any efficiency study**. The policy intention is that the SFC could, particularly where notified of certain adverse circumstances (such as course closures), instigate studies or reviews of the impact on students and learners so that assistance could be provided to ensure they are not negatively impacted. For example, if a college was heading towards needing to close courses before students could complete them, the SFC could help to make arrangements for the students to continue their education at different colleges.
Financial sustainability of post-16 education bodies		
Para 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.	The Bill places a duty on the SFC to secure the monitoring of the financial sustainability of post-16 education bodies. **This duty on the SFC does not extend to independent training providers and employers**.
Para 314 & 315	The Committee notes the Gillies report stated that the current Scottish Code of Good Higher Education Governance in Scotland and the SFC's Financial	There has been tripartite engagement on the sectoral response to the Gillies report and both the SFC and

	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. 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.	Universities Scotland have acted at pace across the summer to respond to the range of issues raised. The Scottish Government notes the codes of governance are owned by the sectors. Both the SFC and Universities Scotland are in the process of finalising detailed responses to the 16 recommendations set out in the Gillies report and the Scottish Government will consider any proposed new approaches. We, however, note the Committee's concerns and will give consideration to the Committee's suggestion on mandatory training for Principals, members of senior leadership teams and university courts. However, we consider this can be taken forward administratively and does not require provision in the Bill.
Para 316 & 317	The Committee notes the correspondence from the Public Audit Committee regarding lessons which can be learned from the situation at Forth Valley College. 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	The college Tripartite Alignment Group, comprising of Scottish Government, the SFC and Colleges Scotland, works to identify and implement workable flexibilities to ease colleges' financial pressures while ensuring accountability for public funds. As part of the next phase of this Group's work, it will be working to help the sector take advantage of the opportunity to diversify its income through better links with employers to deliver training to support key growth

	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.	sectors; and through better links with each other in relation to more effective sharing of ideas and best practice. The financial rules connected to colleges' classification as public bodies limits their opportunities for generating commercial income as it prevents colleges from carrying funds across financial years, transferring between capital and resource budgets, and borrowing for investment. We welcome the Committee's comments and will give further consideration as to whether additional powers are appropriate.
Guidance to fundable bodies		
Paras 336 & 337	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. 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	We acknowledge the Committee's recommendations regarding the SFC's power to issue guidance. We agree that it would be helpful for the SFC, and those bodies or persons in receipt of funding, to be given greater direction as to what type of content such guidance might include. We also agree that not all guidance needs to be published. Guidance should be published, for example, where it will be of benefit to the wider sectors. We would expect that institution-specific guidance would not be published where the SFC considers that the risks of placing the information in the public domain outweigh the benefits, or where doing so would compromise commercial

	parliamentary procedure is attached to the relevant guidance issued under this power.	confidentiality. We will consider ahead of Stage 2 whether there is anything more that we can provide which might offer suitable assurance on this. It is important for guidance to be responsive and adaptable as circumstances change. The purpose of this guidance is primarily to support and help the organisations funded by the SFC in the carrying out of their functions and activities, rather than regulate such as in the manner of legislation. Often it is appropriate for public bodies, or those in receipt of public funds, to be required to have regard to certain matters set out in guidance but it remains for such bodies and persons to consider the manner and extent to which it reasonably applies to their circumstances. For these reasons, we are not minded to attach a parliamentary procedure to this guidance.
Para 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.	The guidance provision in the Bill applies to any person or organisation receiving funding for apprenticeships, work-based learning, or national training programmes, which include training providers. The Bill defines a “training provider” broadly and tied to only what the person does, rather than the type of person. This means that a training provider could be: • a post-16 education body; • a local authority;

		• a public body or service provider (e.g. police, fire or health services); • a private sector or third sector employer; or • any organisation more commonly understood to be a training provider This means that local authorities, as both employers and training providers, and employers more broadly, will need “to have regard” to relevant statutory guidance produced by the SFC where it is applicable to them.
Exercise of functions by the Council		
Para 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	In their evidence to the Committee, EIS noted that the Bill mandates institutions “must have regard to” the SFC’s guidance or recommendations (following efficiency studies) in carrying out their funded activities. EIS questioned what happens where institutions do not follow the recommendations following an efficiency study. The intention of these provisions is to ensure that the Scottish Government, the SFC and other stakeholders as appropriate, are assured that further and higher education sectors are well-governed and financially sustainable. The Bill does not include a duty on fundable bodies to do anything in response to the recommendations. However, as a matter of good governance and practice, the Scottish Government would expect fundable bodies to consider them appropriately.

		There are also other mechanisms that the SFC has in its disposal. The SFC can engage with institutions' senior leadership including addressing their meetings (as provided for by section 16 of the 2005 Act) and can apply terms and conditions to its funding. Regarding the requirement on the SFC to have regard to issues affecting the economy, we would like to highlight that express provision is already in place in section 20 of the 2005 Act and this will apply across the full range of the SFC's functions, including the provisions in the Bill. The annual Letter of Guidance sets out broad instructions to the SFC to align their efforts and contribute to local economic growth.
Part 2 – Governance of the Council		
Skills and knowledge		
Paras 377 & 378	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. 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	We agree with the Committee on the need to ensure that the SFC Board has the right balance of skills and experience. As outlined in the Policy Memorandum, the approach taken in the Bill is to make essential changes in respect of the expanded remit of the SFC and the shift of emphasis around conflict of interest. We will continue to work with the SFC to ensure that the skills and experience of their Board continue to be diverse and reflective of all their functions. We

	diligence, on the SFC Board. The Committee asks the Scottish Government for its view of these calls.	consider that this can be done administratively through the public body appointments process. We are concluding a joint board appointment round which has identified five new members for the SFC and SDS boards, respectively, with new board members to be announced once pre-appointment checks are completed successfully. These appointments will bolster the SFC Board's experience of employer engagement, apprenticeships and workplace learning, which we consider a key step in ensuring the SFC Board is prepared to assume additional functions. By November 2026, the SFC Board will have been completely refreshed, with new Chair, Chief Executive and all Board member appointments made since July 2024. The Scottish Government is confident that these appointments will enable the SFC to support a reformed post-school education and skills system that delivers for learners, employers and the economy. The current approach to board appointments to public bodies is that members are not appointed to represent organisations. They are appointed as individuals who provide contribution to board business based on their experience and skills. However, it is important that the voice of staff is effective and heard in all our public bodies and we will give further consideration as to how best to

		embed Fair Work approaches in the future governance of the SFC and SDS.
Size of the Council		
Para 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.	In developing the Bill, the Scottish Government considered all options relating to the membership of the Council, including number of members. This is currently limited to no more than 16 (including the chair and chief executive). It was our view that the Council was large enough to meet the aspirations the Committee sets out. There is a balance to be struck between ensuring a sufficient range and breadth of expertise and balancing cost and administrative issues around ensuring members can attend Board meetings. Under new powers in the Bill, the SFC will be able to co-opt individuals to membership of the Council, with the approval of Ministers. These co-opted members could provide temporary, expert advice and challenge on topics outside the remit of the Council's committees. However, we are open to reconsidering the size of the Council if the case is made.
Co-opted members of the Council		
Para 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.	We welcome the Committee's conclusion and agree.

Apprenticeship Committee		
Para 411, 412, 413, 414 & 415	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. 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. 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. 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. 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.	We agree that it is essential for there to be a strong employer voice in Scotland's education and skills system. We are keen to ensure that this is enhanced rather than diminished by change. This will be facilitated through changes to the SFC Board appointments and by the new apprenticeship committee. The apprenticeship committee will report directly to the SFC Board and be chaired by a Board member. The SFC is developing proposals for the potential role, remit and membership of the apprenticeship committee and together with its relationship with the existing Skills Enhancement Access Learning Committee, and whether any subcommittee(s) will be required to support the apprenticeship committee. The SFC will consult stakeholders and refine the detailed arrangements on the apprenticeship committee over the next few months and we will be able to outline more detail on the operation of the apprenticeship committee in advance of Stage 2. The committee's functions are likely to incorporate the relevant responsibilities of the Scottish Apprenticeship Advisory Board's Standards and Frameworks Group and the Apprenticeship Approvals Group. These existing groups are part of the apprenticeship framework development and approval process and these functions will need to be transferred.

		We also want to ensure that we hear the voices of employers, and SMEs in particular, who might not be as fully engaged with the current apprenticeship programmes as their economic contribution warrants; and these changes give us the opportunity to make new connections with employers.
Para 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.	The Scottish Government has established the Employer Network so that employers have a platform to engage with the post school education and skills reform programme. Through this network, employers can hear about progress and developments made within the programme, and give feedback on specific policy areas. To date, there have been three Employer Network sessions which covered topics on skills planning, and the Bill and its apprenticeship provisions. These were attended by over 100 individuals representing 40 employers. The Employer Network is an important sounding board as the Scottish Government develops the future model of apprenticeship delivery and will have the opportunity to help shape the development of the apprenticeship committee.
Para 417	The Committee calls on the Scottish Government to respond to these points ahead of Stage 2.	As noted above, we will be able to outline how the apprenticeship committee is expected to operate in advance of Stage 2.
Part 3 – Student Support		
Designation of private providers of higher and further education		

Para 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.	The definition of private provider, or rather "relevant education provider", is contained in new section 74A(2) of the Education (Scotland) Act 1980 as inserted by the Bill and means a person or body which (a) provides higher education or further education, and (b) carries on activities in Scotland or in another part of the United Kingdom. **This definition relates to Part 3 of the Bill only (Student Support) and not to employers or other training providers under the provisions in Part 1 of the Bill**. (There was significant confusion between these two distinct groups of providers arising during some of the Stage 1 oral evidence sessions.) This designation process relates to private providers offering HE-level courses only. Some private providers that are designated by SAAS will offer FE courses, but the designation from SAAS is in relation to the HE courses that they offer. To reiterate, this process is not being extended to FE and SAAS does not currently designate FE courses at private providers. The SFC provides funding to colleges for student support which is then disbursed to further education (FE) students at college. As part of an agreed arrangement with their college, students can undertake courses delivered by private training providers as part of their college course but, for the student to receive student support, they have to be registered as a student in a fundable further education college. However, the SFC does not (and cannot) provide student support for students undertaking FE courses at private providers outside

		of arrangements made by colleges. There are no planned changes to FE level private providers. There will remain a requirement for FE private providers to be linked to college delivery. Full-time private providers will be expected to undergo a successful Educational Oversight Inspection, which will be cyclical as outlined in guidance. There will also be other elements included for part-time providers to assess governance, financial sustainability and student protection plans. We are currently considering how to provide for this new process in secondary legislation at this time and we will update the Committee during the progress of the Bill on what this might include. We will of course engage and consult with stakeholders to make sure that we get this right.
Para 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.	Eligible students studying full-time at Scottish private providers will be able to access the standard student living-cost support package and tuition fees at the private provider rate of £1,205. Eligible part-time students will be able to access the SAAS Part-time Fee Grant, with the fee grant being a pro-rata amount of £1,205 dependent on the number of credits being studied. We would be happy to discuss this further with MCR Pathways and other interested stakeholders.
Support for further education students		

Para 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.	The Scottish Government notes the views of the Committee and can reaffirm that this will be the case for the short to medium term.
Para 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.	The Scottish Government is focussing currently on maintaining delivery of FE student support, and then on transitioning that from the SFC to SAAS. That transition will be undertaken in close conjunction with colleges, unions and student representatives, as well as the wider FE sector. Our guiding focus and priority will be to maintain support for current and future students throughout this period of transition. We will be happy to update the Committee on key milestones and details of timelines at the appropriate juncture.
Para 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.	A consultation on support for part-time study and disabled students was published on 26 June 2025 and remains open until 9 October 2025. It is seeking views on student support available for FE and HE part time and distance learning study; and also support available to disabled students undertaking FE and HE study. We intend to report on the consultation findings and potential next steps early in 2026 and will share that with the committee.