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16 January 2026

Dear Convener,

Tertiary Education and Training (Funding and Governance) (Scotland) Bill: Stage 3

During the Stage 2 committee proceedings on the Bill on 26 November and 3 December, members raised a number of points about the financial costs of the Bill and about matters that were not directly within scope of the Bill itself, but which I consider it would be helpful to clarify in advance of Stage 3 on 20 January. This letter therefore provides further information on those matters.

I want to express again my gratitude to the Student Awards Agency for Scotland (SAAS), Skills Development Scotland (SDS) and the Scottish Funding Council (the SFC) for their continued work to prepare for implementation of the Bill, should it be approved by the Scottish Parliament. I want to particularly again thank and recognise SDS staff for their long-standing commitment to apprenticeships, which has not only helped many learners and employers but also established strong foundations for reform, and for their professionalism and continued focus on high-quality delivery during this period of scrutiny of the Bill, which is valued and appreciated. Moreover, I am confident that the SFC are well-placed and prepared to deliver their envisaged apprenticeship functions from April 2027, when (if passed) the Bill is implemented. The SFC will be able to build on the strong legacy of SDS, benefiting from the expertise of incoming SDS staff, and supported by the proactive programme of engagement with employers and key stakeholders that the SFC have already put in place and will continue to develop.

Working with public bodies, staff and unions

My officials and I have listened carefully to the concerns raised by staff within public bodies and by the trade unions representing them regarding the changes that would arise from the implementation of the Bill – particularly in relation to the proposed transfer of functions from SDS to the SFC and the implications for staff. Officials have engaged on these matters for some time with unions and recently, on Tuesday 13 January, I met with representatives from

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UNISON, PCS and Unite the Union to gain an even deeper understanding of these concerns and to reaffirm the Scottish Government's commitment to working collaboratively with trade unions and public body staff. It was encouraging to hear that staff are open to change; however, it is clear that more needs to be done to embed effective employee voice into the next stage of the process so that staff feel fully involved and represented as these changes take shape. This will happen. Our shared objective is to ensure that every voice is heard as we work together to deliver a system that better meets the needs of Scotland's economy and society.

I expect all public bodies involved in this reform to support and encourage this approach, guided by fair work principles such as enabling an effective employee voice and fostering collaboration at every stage. Partnership working with trade unions must be central to how we collectively deliver reform and strengthen the effectiveness and efficiency of our public services.

Cost of implementation

I have prepared a revised Financial Memorandum (**attached separately**) which brings together all the cost information provided to the Committee to date: the Financial Memorandum of 5 February 2025; the Scottish Government's response to the Stage 1 report of 19 September 2025; my letter of 24 November 2025 in advance of Stage 2; and the cost estimates in the supplementary Financial Memorandum prepared following Stage 2. It includes updated figures where available. A summary of key points is set out below:

1. Total Cost of the Bill

The revised Financial Memorandum (of 16 January 2026) summarises the costs of the Bill for the six years from 2025-26 to 2030-31:

Activity	Range	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Total for the Bill	Low	970	4,900	3,800	(950)	(2,600)	(3,900)
	High	970	11,000	13,000	2,700	1,300	(1,500)

The total cost over these six years now ranges from £2.1 million to £28.1 million, with a central estimate of £15.1 million; **the central estimate is the same as for the Bill at introduction.**

As shown in the table above, there are significant costs in 2026-27 and 2027-28, primarily arising from staff and IT systems. From 2028-29 onwards, the reforms are expected to generate efficiencies and recurring savings, from streamlined programme delivery, reduced duplication and more coherent funding mechanisms.

It is unlikely that all costs will materialise at the higher cost end and Ministers, with public bodies and others, will be able to manage some costs through the choices that are made (e.g. in choosing between options for IT system delivery). At this point, the central estimate is probably the most reliable single estimate of the cost of implementation.

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2. Changes to the higher and lower cost estimates

Higher cost estimate

In February 2025, when the Bill was introduced, the Financial Memorandum set out a higher cost estimate of delivery of £33.4 million. In the Scottish Government's Stage 1 response letter of 19 September 2025, the higher cost estimate was estimated at £21.6 million. It is now £28.1 million. The change from September 2025 to January 2026 is primarily due to:

- The expanded scope of the Bill from Stage 2 amendments, particularly around implementation of widening access, adding £3.4 million to the overall cost of the Bill.
- The higher cost estimate for IT systems and digital services transition has increased from £4 million to £6.5 million.
- A net increase of £620k in other transition costs over the three years 2025-26 to 2027-28.

Lower cost estimate

The Financial Memorandum set out a lower cost estimate of delivery of saving of £(3.1) million. In the Scottish Government's Stage 1 response letter of 19 September 2025, the lower cost estimate was revised to a saving of £(1.0) million. It is now estimated to be a cost of £2.1 million. The change from September 2025 to January 2026 is primarily due to:

- The expanded scope of the Bill from Stage 2 amendments, particularly around implementation of widening access, adding £0.9 million to the overall cost of the Bill.
- The lower cost estimate for IT systems and digital services transition has increased from £1 million to £3 million.
- A net increase of £200k in other transition costs over the three years 2025-26 to 2027-28.

The changes in costs (savings) are set out in the table below:

Changes in cost estimates (£, million)	Higher cost	Lower cost
(A) Financial memorandum of 5 February 2025	33.4	(3.1)
1. The pension shortfall payment (adjustment)	(15.0)	-
2. Employer pension contribution (4 years) (new)	4.0	-
3. IT system costs (new)	4.0	1.0
4. Restructuring costs (new)	(4.2)	(2.0)
5. Transition costs (adjustment)	0.2	2.1
6. Moving commencement to 1 April 2027	(0.6)	1.0
(B) Revised higher cost estimate of 19 September 2025	21.6	(1.0)
7. Stage 2 amendments	3.4	0.9
8. IT system costs – (adjustment on 24 November)	2.5	2.0
9. Other transition costs (adjustment)	0.6	0.2
(C) Revised Financial Memorandum of 16 January 2026	28.1	2.1

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3. Principal costs and uncertainties

- a) **Staff Transfer and Workforce Costs** – Work is ongoing to determine who will transfer from SDS to the SFC and the terms and conditions of their transfer. The pension shortfall payment estimate lies in the range £1 million to £8 million, arising in 2027-28.
- b) **IT Systems Transfer** - An options appraisal and feasibility study has been undertaken into the options for transferring digital systems and associated data. No decisions have been taken at this stage. The two most feasible options are:
 - Option 1: “Lift and shift” with a higher cost estimate of £6.5 million (materialising in 2026-27).
 - Option 2: “Serve and build” which sees SDS provides a managed service model for two years while SFC develops a future-ready system aligned with its designed funding responsibilities. The directly attributable cost estimate ranges from £1 million to £3 million in service costs; pessimistically, £3 million has been taken as the lower cost estimate. The build work in 2027-28 and 2028-29 is treated as part of a planned improvement programme and excluded from the cost estimates of the Bill.
- c) **Diminished need** – The savings range from £(2.0) million to £(4.2) million, depending on the scale of diminished need at SDS post-transfer.
- d) **Transition costs (aside from the above)** – The staff costs in Scottish Government and the SFC and non-staff costs (such as actuarial or legal advice) range from £4.9 million to £5.6 million, arising in 2025-26 to 2027-28.

Apprenticeship Committee

Before I turn to the non-legislative matters, I would like to draw members’ attention to the correspondence from the SFC to the Scottish Government regarding the apprenticeship committee (**attached separately**). It sets out the proposed guiding principles for establishing this new statutory committee, including its structure and membership. These principles have been developed through engagement with a broad range of organisations, including the SFC Board, the Scottish Apprenticeship Advisory Board (SAAB), the Scottish Training Federation, the Federation of Small Businesses, CITB, CBI Scotland, Prosper, the Scottish Chambers of Commerce, and other interested parties. I am very pleased to see the progress being made. The collaborative approach taken reflects the spirit of partnership we are committed to maintaining as we move into implementation.

Throughout Stages 1 and 2, members have rightly sought clarity on how this new committee will operate. I hope that the principles set out in the paper provide reassurance and demonstrate that the proposed approach has been shaped with sector needs firmly in mind.

Accountability of the Scottish Funding Council

The Committee queried the process by which Scottish Ministers hold the SFC accountable in delivering its functions. This arose, not least in the context of Stephen Kerr MSP’s Stage 2 amendment 46 which proposed a requirement for an independent evaluation of the SFC. As a non-departmental public body, the SFC is responsible to Scottish Ministers, who appoint

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the SFC Chair and other members, who are together generally referred to as the SFC Board. The Chair answers directly to Ministers and is responsible, along with the SFC Board, for ensuring that the SFC is well governed, delivers on Ministerial priorities and that robust and constructive challenge and oversight is provided to the SFC's Chief Executive and Executive Team.

The relationship between SFC and the Scottish Government is governed by a [framework document](#) agreed between the SFC and the Scottish Ministers. As well as setting out the key roles and responsibilities governing the relationship, the framework document also sets out how the Scottish Government will carry out its functions in monitoring the effectiveness of the accountability and governance put in place by the SFC.

Every year, Ministers issue a Letter of Guidance confirming high level objectives for the SFC and for the use of SFC funding to the college and university sectors. In turn, the SFC's [Outcomes Framework](#) sets out its expectations of colleges and universities in return for the funding that they receive.

Ministers and officials regularly engage with the SFC throughout the year to monitor SFC's performance and progress in delivering the priorities set out in the Letter of Guidance and to seek assurance on governance and accountability.

SFC powers to clawback funds

Ross Greer MSP queried why the SFC has not used its powers to recover (claw back) funds in the context of discussion around his Stage 2 amendment 75.

The SFC's [current arrangements for funding recovery](#) operate retrospectively and apply differently across controlled and non-controlled places. For non-controlled places, the SFC can recover funding when institutions underdeliver on student numbers, but this is subject to a tolerance and relies on conditions attached to grant funding. For controlled places, although the SFC monitors over-recruitment, its ability to act is similarly limited to adjusting funding after the fact. In both cases, the mechanisms available to the SFC do not allow for real-time intervention or proactive correction where issues arise during delivery.

The SFC has recovered funds from institutions where there has been under-delivery of places. This was explained in Tiffany Ritchie's letter to you of 25 July 2025: [Scottish Funding Council Funding Recovery](#). The SFC also recovered funding from the University of Aberdeen in respect of payments made to a former Principal in relation to his departure from the University in 2018: [Payment to the former Principal of the University of Aberdeen: letter from SFC to current University Principal](#). The SFC is not a regulator and does not have the power to issue fines for non-compliance, but it can recover funding where it is not used for the purposes for which it was granted.

Fair work

Many members of the Committee wanted to see the Scottish Government take further action on fair work and saw the Bill as a means of driving this change. I reiterated the challenges over legislative competence of the Bill, in particular in relation to reserved employment law, and therefore highlighted that any further action in this space would need to be delivered administratively and within the limits of devolution and executive competence.

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Fair work is a key policy priority for the Scottish Government and it is central to our delivery of the outcomes under the National Performance Framework. We recognise and value the substantial commitment that our universities and colleges have already made to fair work, which provides a strong foundation for continued progress.

The SFC, as an employer and public body responsible for significant public funding, plays an important role and is expected to implement and monitor compliance with Fair Work First through procurements and the award of grants.

At present, colleges and universities in receipt of SFC funding must meet the following two Fair Work First criteria: payment of at least the real Living Wage; and provision of appropriate channels for effective workers' voice, such as trade union recognition.

Similar to other employers in receipt of public sector grant funding, colleges and universities are also encouraged to adopt the following five criteria:

1. investment in workforce development;
2. no inappropriate use of zero hours contracts;
3. address workplace inequalities, including pay and employment gaps for disabled people, racialised minorities, women and workers aged over 50;
4. offer flexible and family friendly working practices for all workers from day one of employment; and
5. oppose the use of fire and rehire practice.

Following discussions with the SFC, it has been agreed that they will look to ensure that fundable post-16 education bodies aim to adopt all Fair Work First criteria from April 2027 by including these as a condition of grant. Given that these bodies will be at different stages of implementing the non-mandatory Fair Work First criteria, the SFC acknowledges the need for appropriate transition periods or planning. Therefore, a fundable post-16 education body may be given a longer lead-in time to implement a specific criterion where they, in partnership with their recognised trade unions or worker representatives, can make a case to do this.

This change was announced to the Scottish Parliament in my answer to GIQ [S6W-42976](#) published on 13 January 2026.

It may also be helpful to note that the SFC recently published a [report on their expectations regarding good governance](#) in colleges and universities, following a review of governance effectiveness reports and Professor Gillies' report on the University of Dundee. The SFC's report sets out ways in which the SFC will undertake closer monitoring of governance at colleges and universities, and consider enhancements to its current processes, including in relation to Fair Work through its Outcomes Framework and Assurance Model. This will help to improve reporting on fair work across institutions.

The Bill, as amended at Stage 2, makes helpful and important reference to fair work in respect of efficiency studies carried out by the SFC, as amended by section 8 of the Bill, and in terms of matters to which the SFC is to have regard in exercising its functions. I have brought forward amendments for Stage 3 to tidy and futureproof these provisions but I want to assure you that the substantive effect of these provisions will be unchanged.

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Zero-hour contracts

Ross Greer MSP expressed his concern about the continued use of zero-hour contracts in colleges and universities, particularly for graduate teaching assistants and other staff. Mr Greer argued that these contracts undermined fair work principles and called for the Scottish Government to leverage its existing funding powers to eliminate their use and enforce stronger fair work standards in practice, not just in principle. This issue was raised in the context of Stage 2 amendments relating to funding conditions.

The Scottish Government shares a strong commitment to fair treatment and pay for all employees. We recognise that zero-hour contracts can present challenges for workers, particularly in terms of job and financial security. While employment law remains a reserved matter, we want to be clear that we do not support the inappropriate use of zero-hour contracts. Those employers using zero-hours contracts should be able to credibly explain their exceptional circumstance which leads to them using such contracts and the steps they are taking to review their business model to eliminate these circumstances.

In the absence of devolved employment powers, we have sought to use the tools available to us to promote better standards. Through the Fair Work First criteria in procurement and grants, we aim to raise employment standards and encourage more inclusive workplaces across Scotland. In July 2023, we strengthened grant conditions to require public sector grant recipients to pay at least the real Living Wage and ensure effective channels for employee voice.

Alongside these measures, we ask employers to adopt fair work practices such as investing in workforce development, avoiding inappropriate use of zero-hour contracts, taking action to close the gender pay gap, fostering diversity and inclusion, offering flexible and family-friendly working arrangements from day one, and opposing fire-and-rehire practices.

The Scottish Government is currently evaluating the Fair Work First policy, working closely with stakeholders including trade union partners, to assess how effectively it is being delivered and to identify opportunities to strengthen and improve our overall approach.

College principals' pay

At Stage 2, Mr Greer lodged amendment 61D which proposed to bring college principals under the Scottish Government's [Public Sector Chief Executive Pay Framework](#) with the intention to ensure fairness and transparency in senior remuneration. He urged the Government to use its existing powers to address any inequality and ensure accountability. I agreed that I would further consider this ahead of Stage 3.

College principals and chief executives are not covered by the *Scottish Government's Public Sector Pay Policy: Chief Executive Framework*. This applies specifically to chief executives of Non-Departmental Public Bodies (NDPBs) and Public Corporations that are directly subject to Ministerial approval under the Public Sector Pay Policy. The majority of colleges, by contrast, are independent institutions incorporated under the Further and Higher Education (Scotland) Act 1992 and therefore sit outside the scope of PSPP.

Colleges are responsible for their own operational decisions so remuneration for college principals has been a matter for each college's governing board to determine. Whilst Public Sector Pay Policy does not apply directly to colleges, the SFC's Financial Memorandum

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states that colleges must have regard to it. The Scottish Government expects colleges and their Boards to be mindful of [Public Sector Pay Policy](#) and demonstrate restraint when determining senior staff salaries. For context and clarity, the published college principals' salaries currently range from £77k to £175k, with an average of £123k, which is already well within the range of the framework.

I have accepted Mr Greer's suggestion that, as a matter of Scottish Government tertiary education policy, we will secure that the pay for new appointments of college principals is subject to the requirements of *Scottish Government's Public Sector Pay Policy: Chief Executive Framework*. For clarity, this change will not apply to principals already in post.

This policy change does not require any change to legislation nor to the framework. It will be implemented through requirements placed on colleges in their appointment processes. This will be set out in my Letter of Guidance to the SFC and delivered through grant conditions on colleges in respect of the salaries of college principals appointed after the policy comes into effect. I intend to implement this policy as soon as practicable.

I believe this change will be met with strong support from college staff and unions and support the good work colleges are already undertaking to promote and deliver fair work.

University principals' pay

While universities are autonomous institutions with responsibility for their own pay and remuneration decisions, Ministers expect universities to exercise restraint in setting senior pay, which should be in step with the salary, terms and conditions offered to other university staff. I intend to set out in my Letter of Guidance to the SFC that they should continue to seek assurances that universities are considering value for money and the public interest, avoiding inappropriate use of funds, and seeking the views of students and staff in relation to senior remuneration packages.

Principals pay: transparency

The SFC currently receive information from colleges and universities, via their financial accounts direction on the total remuneration package of principals, alongside information on median pay in the institution. Whilst this information is accessible on the SFC website, it is embedded in institution-specific returns that cover a range of other financial matters. My officials have discussed with the SFC changing their accounts direction and any other relevant reporting requirements on institutions to explicitly capture the following information, and for the SFC to subsequently make that information accessible annually in a collated form:

- Total remuneration package of principal
- Median pay in the organisation
- Minimum pay in the organisation
- 5, 25, 50, 75, and 95 percentile pay ratios.

Having the above information collated and accessible in one place would provide, for the first time, a full and rounded picture of pay comparators within and across institutions (college and universities). I intend to set out this requirement in my Letter of Guidance to the SFC.

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ONS classification

During the Stage 2 committee proceedings, the Scottish Government emphasised the impact of many of the non-government amendments on the independence of higher education institutions. There were many non-government amendments that sought to require specific terms and conditions to be imposed on, and by, the SFC. The cumulative effect of these requirements would be to increase the administrative implications for the SFC and institutions and to risk reclassification under ONS criteria.

Members queried what the thresholds are for triggering changes to ONS classification. An entity will be classified to the public sector if the ONS concludes that the public sector has the ability to determine that entity's general policy or programme. In order to determine public sector control, the ONS applies a set of core principles, or "indicators of control", in accordance with the nature of the entity and in line with standard international frameworks. In some cases, a single indicator alone can be sufficient to determine public sector control, for example the right to appoint or remove governing board members. In other cases, holistic analysis of a number of separate indicators may collectively indicate control, and the ONS will come to a view based on the totality of the strength of evidence.

Given the necessarily judgmental nature of a holistic assessment, it is not possible to pre-empt an ONS decision or definitively state what effect a single action may have on the cumulative risk of reclassification to the public sector. The only set "threshold" for reclassification is that the ONS has determined that public sector control exists. With regards to the higher education sector, the public sector already has certain powers and influence, for example, in legislation, through sectoral-specific communication such as the annual Letter of Guidance to the SFC, and in the setting of national priorities. It is therefore important that the Scottish Government does not seek to introduce additional levels of public sector control over matters of general institutional policy that, under other circumstances, would be within the control of the university.

More information is set out at **Annex A**.

Apprenticeship funding

Stephen Kerr MSP expressed his concerns about the lack of transparency around the use of the Apprenticeship Levy in Scotland and in particular how this levy was used to benefit employers, in the context of his Stage 2 amendment 119 and others. He argued that more funding should be allocated to apprenticeships linked to Levy revenue.

As John Mason MSP and other members pointed out, a fundamental principle of devolution is that the Scottish Government can use its block grant funding from the UK Government in different ways to meet Scottish priorities. There would be no point in devolution if the Scottish Government mirrored the UK Government in every funding allocation.

As I explained to the Committee, the current funding model does not allow for the allocation of levy contributions. Since 2020-21, Scotland has received a Barnett Formula share of the UK Department of Education's apprenticeship funding via the block grant. The Scottish Government does not receive a specific allocation of Apprenticeship Levy revenue, so we cannot directly link funds raised from the apprenticeship levy to any funding stream.

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I am sympathetic to the requests to make apprenticeship funding more transparent, and in future years we will consider how we can make the apprenticeship funding more explicit in budget documents, and through other means.

In the interim, I thought it would be helpful to set out the apprenticeship funding in 2024-25, this is shown in the table below. This shows a £13 million increase in apprenticeship funding compared to 2023-24.

Table: Split of Apprenticeship Funding Across Agencies in 2024/25 (£m)

Type of apprenticeship	SDS	SFC	SAAS	Total
Foundation Apprenticeships	8	10		18
Modern Apprenticeships	91	50		141
Graduate Apprenticeships	3	30	6	39
Total	102	90	6	198

Funding of apprenticeships by type and public body for 2024-25. Figures are those provided to the Scottish Government by the public bodies and are rounded to the nearest £, million.

Review of modern apprenticeship contribution rates

I also want to reiterate our commitment to a review of Modern Apprenticeships (MA) contribution rates which I know is of concern to MA training providers. I am pleased to commit to working with stakeholders to start the review of contribution rates by April 2026. In the interests of transparency, we will publish a report on the outcome of the review, including any SG actions in response to the review once it has concluded.

Update on skills planning

Following the Independent Review of the Skills Delivery Landscape, the Scottish Government committed to lead skills planning nationally while strengthening regional approaches. As you are aware, we have agreed a high-level model with the SFC and SDS to deliver this commitment. My Stage 3 amendment 10, proposing a national funding strategy, is consistent with the approach we are taking for government to play a lead role in setting expectations transparently and with clarity.

In my last letter, I said that the Scottish Government would publish skills priorities in December 2025. The Scottish Government is working to identify a shortlist of sectors for focused skills planning.

Identifying a shortlist of sectors will help SDS undertake a deeper assessment of skills needs in these areas. SDS has commenced co-designing their approach to assessment of skills needs and will be engaging employers and regional partners to further shape their approach over coming weeks.

Let me stress that this does not replace the ability of regions to set their own priorities. This exercise is also not about steering the entire post-school system toward a handful of sectors. It is about identifying the skills most critical to delivering national priorities, many of which will be cross-cutting and relevant across multiple sectors.

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We believe it is essential to engage key stakeholders further before publishing any findings. Beginning in February, my officials will engage employers, colleges, universities, and regional partners to help refine this work. We will also share further details with the Committee, including our emerging findings. Our intention is to formally publish this work in the Spring.

Conclusion

I look forward to continuing our discussions during the Stage 3 debate of the Bill on 20 January. Like you, and members across the Parliament, I am committed to ensuring that the Bill delivers its intended purpose and real, lasting benefits for learners, employers and Scotland's wider economy. I welcome continued scrutiny and engagement as we move into the final parliamentary stage of the Bill and, subject to the will of the Parliament, implementation.

I am copying this letter to other members of the Parliament for reference.

Yours sincerely,

Ben Macpherson MSP

Minister for Higher and Further Education

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ONS CLASSIFICATION OF HIGHER EDUCATION INSTITUTIONS

Classification decisions are informed by international frameworks and principles, including: 2010 European System of Accounts (ESA 2010); System of National Accounts 2008 (SNA 2008); and 2022 Manual on Government Deficit and Debt (MGDD 2022). Since the early 2000s, universities in the UK have been classified all together to the non-profit institutions serving households (NPISH) sector (private, non-market) in the UK National Accounts.

2010 European System of Accounts (ESA 2010) classification framework

	Public	Private
Market	Public corporations: 1. public non-financial corporations 2. public financial corporations	Private corporations: 1. private non-financial corporations 2. private financial corporations
Non-market	General government: 1. central government 2. state government 3. local government 4. Social Security funds	Households or Non-profit institutions serving households (NPISH)

ONS approach to public sector classification

An entity will be classified to the public sector if the ONS concludes that the public sector has the ability to determine that entity's general policy or programme. The general policy of an entity may include, for example, remuneration of senior staff, pay and business strategy. Control by the public sector relates to control by any part of government, not necessarily Ministers.

In order to determine public sector control, the ONS applies a set of core principles, in accordance with the nature of the entity and in line with the international frameworks, to consider “indicators of control”. It is the existence and scope of powers that indicates public sector control, not whether they are used in practice. Control does not require interventions in the day-to-day business of the entity.

In some cases, a single indicator alone can be sufficient to determine public sector control, for example the right to appoint or remove governing body members. In other cases, holistic analysis of a number of separate indicators may collectively indicate control, and the ONS will come to a view based on the totality of the strength of evidence. In any case, a decisive point is the ability of the entity to determine by itself, or not, its general policy.

As set out by the international guidance, indicators of public sector control are:

1. rights to appoint, remove, or veto a majority of officers or directors to the entity's board, or other governing entity;
2. rights to appoint, veto or remove a majority of appointments for main committees of the entity;

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3. ownership of a majority of the voting interest in an entity;
4. right to appoint, veto, approve, or remove important personnel;
5. rights under special shares and options, or golden shares;
6. contractual arrangements that prevent an entity engaging with non-public sector customers;
7. rights to control from agreements and permission to borrow;
8. control via excessive regulation;
9. other indicators.

Where an entity is a non-profit institution (NPI), as universities are, the following characteristics are examined:

1. government appointment of officers;
2. other provisions of the enabling instrument(s);
3. government control via contractual agreements;
4. degree of government financing of the unit;
5. degree of government risk exposure in respect of the unit and its activities.

ONS classification decisions

Given the necessarily judgmental nature of a holistic assessment based on a number of separate indicators, it is not possible to pre-empt an ONS decision or definitively state what effect a single action may have on the cumulative likelihood of classification of an entity to the public sector. The only set 'threshold' for classification to the public sector is that the ONS has determined that public sector control exists.

Some recent ONS sector reclassification decisions are set out below in summary in order to help illustrate the type of analysis applied.

Further Education Corporations (FECs), Sixth Form College Corporations (SFCCs) and Designated Institutions (DIs) in England

In November 2022, the ONS announced the outcome of a statistical classification assessment of FECs, SFCCs and DIs in England following changes brought about through the Skills and Post-16 Education Act 2022, and amendments made through this Act to the Further and Higher Education Act (FHEA) 1992. The decision was reclassification from the NPISH sector to the central government subsector.

FECs, SFCCs and DIs in England were deemed to be subject to public sector control for reasons including the following.

1. The Secretary of State has the ability to intervene in the governance of an institution, where mismanagement (which is not further defined) has been identified.
2. Section 23 of the Skills and Post-16 Education Act 2022, extends Sections 56A and 56E of the FHEA 1992 and adds an intervention for failure to meet local labour market needs.
3. Section 46 of the FHEA 1992 provides the Secretary of State with the ability to modify Trust Deeds, and modify other instruments relating to land or other property held for the purposes of the relevant institution.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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Celsa Steel (UK) Ltd

In April 2021, ONS assessed the classification status of Celsa Steel (UK) Ltd following the UK Government's provision of an emergency loan on 2 July 2020. Celsa Steel (UK) Ltd was classified to the public non-financial corporations subsector with effect from 2 July 2020, the date the loan was agreed.

ONS concluded that the conditions of the loan meant that Celsa Steel (UK) Ltd was subject to public sector control for the period of the loan. The loan conditions included:

1. commitments to achieving net zero carbon targets; and
2. restraints on executive pay and bonuses.

Train Operating Companies (TOCs) under Emergency Measures Agreements (EMAs)

In 2020, during the COVID-19 pandemic, many TOCs agreed EMAs with government. Following an ONS assessment, TOCs operating under EMAs were classified to the public non-financial corporations subsector.

TOCs were deemed to be subject to public sector control for reasons including the following.

1. EMAs placed restrictions on TOCs' ability to borrow or enter into any loan or lending agreement for the purpose of borrowing.
2. Following the introduction of EMAs, almost all the financial risks associated with rail transport were borne by the government.
3. EMAs placed restrictions on TOCs' ability to take key decisions relating to their corporate policy, such as increasing their workforce or reducing their workforce by more than 5%.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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23 December 2025

By email

Shirley Laing

Director for Lifelong Learning and Skills

Scottish Government

Dear Shirley,

Minister Macpherson's letter of 24 November 2025 to the Convenor of the Education, Children and Young People Committee was helpful in setting out the expectations and timelines in relation to the progress of the Tertiary Education and Training (Funding and Governance) (Scotland) Bill (TET Bill) through Parliament. The letter referred to the Apprenticeship Committee and I thought it might be helpful to provide you with an update on the progress being made on its development.

In response to concerns raised in Stage 1 of the TET Bill, SFC has engaged with our Board, SAAB and employer groups to develop our thinking on the establishment of an Apprenticeship Committee which was one of the provisions set out in the TET Bill.

We are committed to a collaborative / codesign approach to ensure the Committee meets the needs of employers, delivery partners and apprentices. To facilitate this, and in advance of the Stage 2 Parliamentary debate, our programme of engagement included SAAB, Scottish Training Federation, Federation of Small Businesses, CITB, Prosper, CBI Scotland, the Scottish Chambers of Commerce and other interested parties. Their views and aspirations for the Committee have helped to shape the attached Guiding Principles which are intended to inform the development of the Apprenticeship Committee.

SFC colleagues met with the SAAB Chairs to discuss the Guiding Principles on 9 December. The Chairs welcomed the opportunity to review and comment on the principles and appreciated the collaborative approach being taken. They agreed that the six high level principles provide a good foundation for further discussion and engagement with stakeholders and they remain committed to working closely with SFC as we further develop the detail that underpins the principles. We will also continue to engage with the employer bodies mentioned above, as well as with the Scottish Training Federation through this process.

SFC Chair, Cara Aitchison, committed to providing the Minister with an update on the guiding principles before Christmas. Therefore, I would be grateful if you could pass a copy of the attached paper to him. We will keep colleagues and you updated as progress continues.

Yours sincerely,

Francesca Osowska OBE FRSE

Chief Executive

Scottish Funding Council

Appendix: Apprenticeship Committee: Guiding Principles

Purpose

1. This paper sets out proposed guiding principles to be adopted when establishing the Apprenticeship Committee including structure and membership. The principles have been developed following engagement with SFC Board, SAAB, Scottish Training Federation, Federation of Small Businesses, CITB, CBI Scotland, Prosper, the Scottish Chambers of Commerce and other interested parties.

Proposed Guiding Principles for the establishment of the Apprenticeship Committee

2. The Apprenticeship Committee will be a stand-alone statutory committee of the Board.
 - SFC Board agrees with the approach being taken in the TET Bill that the Apprenticeship Committee should be a stand-alone statutory committee. This structure will clearly demonstrate SFC's commitment to apprenticeships.
 - SAAB discussions highlighted that a separate committee would send the correct signals to employers and employer bodies. This was a view reiterated by STF.
 - In addition, we sought legal advice which confirmed that the intention of the TET Bill is to amend the 2005 Act to establish a stand-alone Apprenticeship Committee.
3. Two sub-committees will be established and will report to the Apprenticeship Committee on matters relating to standard and frameworks and apprenticeship approvals.
 - The SFC Board agreed with the recommendation to set up two subcommittees with similar remits to the current SAAB standard and frameworks group and apprenticeship approval group which will ensure the Apprenticeship Committee can focus on the strategic rather than the operational requirements of apprenticeships.
 - Alignment with previous roles and responsibilities of these two SAAB subgroups will support a smooth transition of responsibilities.
 - We heard from SAAB of the importance of these two sub committees to the development of apprenticeship frameworks.
4. The Chair of the Apprenticeship Committee will be a member of the Board.

- The SFC Board agreed with the approach being taken in the TET Bill that the Chair should be a member of the Board with a preference for the person in that role to have expertise in apprenticeship delivery and/or be an employer.
 - Having the Chair as a Board member will strengthen the linkage between the Apprenticeship Committee and the work of the SEAL Committee (the Board's statutory Skills Committee).
 - The SFC Board agreed the importance of creating a Committee that is fit for purpose and agile for the next few years which may evolve over time.
 - Amendments to the TET Bill have suggested that the Chair should be an employer. This guiding principle should satisfy that proposed amendment.
5. Committee membership will be employer focused and also have strong Board membership with expertise in apprenticeship provision.
- The Board agreed that membership of the Committee will be critical to its success and the transition. To that end membership of the Committee should have a heavy focus on employers.
 - Our employer engagement also emphasised the need for employers to be central to the new Committee.
 - With 95% of Scotland's business at SME or Micro level of business it is important that this voice is represented on the Committee.
6. Committee membership should include Apprentice representation.
- The SFC Board noted the importance of engaging with apprentices to ensure their voice is heard.
 - Current SAAB structure has an Apprentice Engagement Group comprising apprentices and former apprentice award winners to promote the value of apprenticeships and to champion the contribution they can make.
7. A phased approach to the transfer of Apprenticeship provision should be adopted i.e. transfer and then reform where necessary.
- The SFC Board were content that the transfer of Apprenticeships to the redesigned funding body will be undertaken through a "lift and shift" process with any reform to the system to be phased following the transfer. This approach will ensure continuity of the experience for apprentices, employers and apprenticeship providers and minimise possible reputational damage that could arise from contemporaneously moving and reforming the functions.

Next Steps

8. We are committed to continuing the collaborative / codesign approach as we take forward the work to formulate the detail underpinning each principle.

TERTIARY EDUCATION AND TRAINING (FUNDING AND GOVERNANCE) (SCOTLAND) BILL

REVISED FINANCIAL MEMORANDUM

INTRODUCTION

1. As required under Rule 9.3.2 of the Parliament’s Standing Orders, a Financial Memorandum was published to accompany the Tertiary Education and Training (Funding and Governance) (Scotland) Bill, introduced in the Scottish Parliament on 5 February 2025. As required under Rule 9.7.8B of the Parliament’s Standing Orders, a supplementary Financial Memorandum was produced to accompany the Bill as amended at Stage 2

2. This revised Financial Memorandum has been prepared by the Scottish Government. It does not form part of the Bill and has not been endorsed by the Parliament. It should be read in conjunction with the original Financial Memorandum published to accompany the Bill as introduced and the supplementary Financial Memorandum.

3. The purpose of this revised Financial Memorandum is to provide a comprehensive overview of the expected associated costs. This document consolidates the cost estimates in the Financial Memorandum of 5 February 2025¹ with information provided in the Scottish Government’s response to the Stage 1 report of 19 September 2025² (“the SG Response to the Stage 1 Report”), the letter from the Minister for Higher and Further Education of 24 November 2025³ in advance of Stage 2 (“the SG Stage 2 Letter”), the cost estimates in the supplementary Financial Memorandum prepared following Stage 2⁴ and includes updated figures where available. It addresses all provisions with significant costs, ensuring that the financial impact of the Bill is clearly set out ahead of Stage 3 on 20 January 2026.

OVERVIEW

Summary of provision in the Bill

4. Under the Further and Higher Education (Scotland) Act 2005 (“the 2005 Act”), the Scottish Funding Council (“the SFC” or “the Council”) is responsible for securing the coherent provision of further education (“FE”) and higher education (“HE”) and research at FE and HE institutions. Part 1 of the Bill expands the functions of the SFC by conferring powers and duties on it in respect of funding and securing the delivery of National Training Programmes (“NTP(s)”), Scottish apprenticeships and work-based learning, and makes other changes to its functions. In this Financial Memorandum, the costs of the NTPs, Scottish apprenticeships and work-based learning

¹ [Financial Memorandum of 5 February 2025](#).

² [TET Bill follow up to Stage 1 Report 19 September 2025 | Scottish Parliament Website](#).

³ [Letter from Minister for Higher and Further Education of 24 November 2025](#).

⁴ [Supplementary Financial Memorandum of 17 December 2025](#).

provision are considered in Part 1A and the changes to SFC's other functions where significant costs are incurred are considered in Part 1B.

5. Part 2 of the Bill makes improvements to the governance arrangements of the SFC.
6. New Part 2A of the Bill makes provision for transitional measures.
7. Part 3 of the Bill makes technical amendments for the provision of student support to Scottish-domiciled students at approved private providers based in Scotland or rUK.
8. Part 4 of the Bill makes provision for the interpretation, ancillary provision, commencement and short title.
9. This Financial Memorandum summarises all the costs (savings) in Table 1 including those resulting from amendments agreed at Stage 2 before examining the costs (savings) from each part of the Bill separately. Relevant provision is outlined in a little more detail before it is costed.
10. Abbreviations are introduced where needed and summarised in a glossary at the end of this revised Financial Memorandum.

Presentation of the figures

11. In this revised Financial Memorandum:
 - “the Bill” is taken to be the Bill as amended at Stage 2;
 - all figures are in thousands of pounds (£,000) in 2024-25 cash terms (apart from Table 2 and Table 14) and all figures relate to fiscal resource (RDEL);
 - inflation is applied at HMT GDP deflator forecast rates⁵ (around 2% per annum) compounding from 2024-25 to both the low cost and high cost estimates, unless otherwise stated;
 - salary costs are converted to gross staff costs by multiplying by 140%, where gross staff costs are not otherwise available;
 - to avoid conveying a false sense of accuracy, figures are provided to two significant figures only except where more significant figures are needed to aid understanding and interpretation of the tables. Rounding also means that totals in the tables may not always appear to sum correctly; and
 - references to years in the format yyyy-yy are to financial years (1 April to 31 March), not academic years.

⁵ [Bank of England GDP deflators, published on 27 November 2025](#).

Coming into force

12. For the purposes of this document, it is assumed that all provision in the Bill comes into force on 1 April 2027. This is referred to as the “transfer date” in this Financial Memorandum. In reality, some of the provision may be commenced earlier or later than this.

13. Preparatory work and costs are expected to be incurred from 2025-26 and any work and operational costs from 2027-28.

Summary of costs and savings

14. The principal cost of this Bill derives from the consequences of enabling Skills Development Scotland’s (“SDS”) responsibilities for NTPs and apprenticeships to move to the SFC. This is a largely technical change in the configuration of two public bodies. For this reason, it is unsurprising that the significant costs of this Bill fall on the Scottish Administration and these two public bodies.

15. The Bill creates an environment where efficiency savings could be made by enabling current apprenticeship policies to be delivered differently. The consolidation of provision also enables those policies to change. This Financial Memorandum has, apart from Table 14, not factored in the potential savings and benefits from policy development and changes to models of delivery.

16. The consolidation of provision also enables more flexibility in managing funding streams across the post-school system, for example allowing money to be moved across programmes in-year, which will make it more agile in responding to changes in demand and other unforeseen circumstances.

17. Table 1 below summarises all the costs (savings) of implementing the provisions in the Bill for the Scottish Administration and all other individuals and organisations.

This document relates to the Tertiary Education and Training (Funding and Governance) (Scotland) Bill as amended at Stage 2 (SP Bill 57A)

Activity	Range	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Total for Part 1(a) (Table 3)	Low	970	4,500	3,700	(1,000)	(2,700)	(4,000)
	High	970	10,000	12,000	2,000	600	(2,200)
Total for Part 1(b) (Table 15)	Low	-	330	160	160	160	170
	High	-	1,100	860	600	610	620
Total for Part 2 (Table 20)	Low	-	6	(130)	(130)	(130)	(130)
	High	-	12	72	72	75	74
Total for Part 2A (Table 24)	Low	-	4	-	-	-	-
	High	-	6	-	-	-	-
Total for Part 3 (Table 26)	Low	-	-	14	14	14	15
	High	-	-	32	33	34	34
Total for the Bill	Low	970	4,900	3,800	(970)	(2,600)	(4,000)
	High	970	11,000	13,000	2,700	1,300	(1,500)
Of these: One-off costs	Low	970	4,900	3,800	2,300	1,300	-
	High	970	11,000	12,000	2,800	2,800	-
Recurring costs	Low	-	-	(20)	(3,300)	(4,000)	(4,000)
	High	-	-	1,600	(110)	(1,500)	(1,500)

Table 1. All the costs (savings) of implementing the provisions in the Bill. All figures are resource costs (RDEL) in £,000 (cash terms). Amounts are rounded to two significant figures or to the nearest thousand which means that the totals in some columns may not appear to sum correctly. The total costs for the Bill are then broken down into one off costs (primarily transition staff and non-staff costs, pension shortfall costs, restructuring costs and IT system costs) and recurring costs (ongoing operational costs and savings). As the assumed commencement is 1 April 2027, all costs in 2025-26 and 2026-27 are one-off costs.

18. Note that there are no capital costs explicitly identified as a consequence of the provision in the Bill. However, it is possible that some of any IT systems costs incurred by the Scottish Administration in respect of information sharing for the purposes of widening access to fundable further and higher education could be treated as capital expenditure.

19. The Education and Skills Portfolio Efficiency and Reform Plan at Annex B of the Scottish Spending Review 2026 published on 13 January 2026⁶ refers to the total costs and savings of implementing the Bill based on central estimates, that is the mid-point between higher and lower cost estimates in Table 1 above).

20. The Scottish Government is working with SAAS and the SFC to transfer further education student support funding and functions from the SFC to SAAS so that all student support funding is delivered through SAAS. This can be achieved administratively and under existing powers in the Education (Scotland) Act 1980. The costs of this arise in 2025-26 and 2026-27 and are in scope for the Education and Skills Portfolio Efficiency Plan but are not included in Table 1, as this change is not a consequence of this Bill.

⁶ [Scottish Spending Review 2026](#).

PART 1A: NATIONAL TRAINING PROGRAMMES, APPRENTICESHIP AND WORK-BASED LEARNING

21. Part 1 of the Bill modifies and expands the functions of the SFC. This Financial Memorandum considers the functions in relation to NTPs, apprenticeships and work-based learning separately (Part 1A) from the other functions (Part 1B).

Outline of Bill provisions

High quality delivery and learning

22. Section 1 of the Bill amends section 3 of the 2005 Act to place the SFC under an overarching obligation to exercise its functions to secure the coherent provision of high quality apprenticeships and work-based learning. This coherency extends across what is already provided for in the 2005 Act in respect of further and higher education and research, so that the SFC is to be obliged to consider all aspects of post-school education in securing the coherency of high quality provision.

23. Section 2 of the Bill amends section 4 of the 2005 Act to expand the general duty on Scottish Ministers to provide support, including making such grants to the SFC for the purpose of securing high-quality delivery of apprenticeships and work-based learning as they consider appropriate. (NTPs do not feature. This is because the Scottish Ministers need not fund any NTPs at any given time.)

National Training Programmes

24. SDS and, in some cases the SFC, have delivered NTPs, such as the Flexible Workforce Development Fund which provided training to employers to upskill and re-skill their existing workforce. Section 3 of the Bill inserts new sections 12C and 12D into the 2005 Act. New section 12C gives the Scottish Ministers the powers to make grants to the SFC for the purpose of securing the delivery of NTP provision and new section 12D of the 2005 Act gives the SFC responsibility for administering grants for the purpose of securing the delivery of NTP provision.

Apprenticeships and work-based learning

25. At present, the SFC funds graduate apprenticeships and some foundation apprenticeships under its statutory powers for securing FE and HE provision. SDS delivers modern apprenticeships and some foundation apprenticeships on a non-statutory basis. Foundation apprenticeships are unpaid and therefore not regarded as true employment-based apprenticeships by many stakeholders.

26. Section 5 of the Bill inserts new sections 12I and 12J into the 2005 Act. New section 12I of the 2005 Act gives the Scottish Ministers the powers to make grants to the SFC for the purpose of securing the delivery of Scottish apprenticeships and work-based learning and new section 12J of the 2005 Act gives the SFC responsibility for securing the delivery of all apprenticeship provision and work-based learning. The Bill establishes, for the first time, a statutory framework for apprenticeships in Scotland and confers responsibility for securing provision on the SFC. Current foundation apprenticeships will sit under statutory functions for the SFC to fund and secure the delivery of work-based learning.

27. The power conferred upon the Scottish Ministers to make grants to the SFC for the purpose of securing the delivery of Scottish apprenticeships and work-based learning (through section 5 of the Bill) does not, of itself, generate any additional costs or savings. This is because the Scottish Ministers already fund SDS to secure the delivery of these activities and there is nothing in the Bill which requires the Scottish Ministers to provide more funding or less funding to the SFC than they do to SDS at present. Scottish Government funding supported expenditure of approximately £198 million on apprenticeships in 2024-25, as set out in Table 2 below.

28. The SFC funds all three types of apprenticeship under existing functions in the 2005 Act for securing fundable further and higher education, but is limited to delivery through the fundable further and higher education bodies.

29. SDS currently funds: local authorities, schools, independent training providers and employers to deliver foundation apprenticeships; independent training providers, colleges and employers to deliver modern apprenticeships; and higher education institutions to deliver legacy graduate apprenticeships. (The SFC has funded all new graduate apprenticeships since 2021-22.)

30. The Bill is intended to enable the funding currently provided to SDS (£102 million in 2024-25) to be redirected to the SFC and gives the SFC the necessary functions to administer Scottish apprenticeships and fund a wider range of persons and bodies in securing their delivery. How much funding is provided by the Scottish Ministers to secure the delivery of these activities (and consequently the scale and scope of the Scottish apprenticeship and work-based learning programmes) is a policy decision for the next Scottish Administration. However, the changes made by the Bill would enable other changes which allow some savings to be made, see paragraph 143 onwards.

Type of apprenticeship	SDS	SFC	SAAS	Total
Foundation apprenticeships	8	10	-	18
Modern apprenticeships	91	50	-	141
Graduate apprenticeships	3	30	6	39
Total	102	90	6	198

Table 2. Funding of apprenticeships by type and public body for 2024-25. Figures are those provided to the Scottish Government by the public bodies and are rounded to the nearest **£, million** (cash terms).

Definition of a Scottish apprenticeship

31. Section 4 of the Bill inserts new sections 12E to 12H into the 2005 Act.

32. New section 12E of the 2005 Act defines a Scottish apprenticeship. An apprentice must work for an employer for reward (i.e. be paid). Separate provision is made for work-based learning, where the learner is unpaid.

33. The occupation or activity in which the apprentice is working must be included in a Scottish apprenticeship framework. There must also be an apprenticeship agreement in place between the apprentice and the person for whom they work.

Scottish apprenticeship frameworks and requests

34. New section 12F of the 2005 Act gives the SFC a power to prepare and publish Scottish apprenticeship frameworks. Each framework will set out the relevant requirements for an apprenticeship within the occupation or activities covered. Publicly-funded apprenticeship frameworks should align with the Scottish Government's priorities.

35. New section 12G of the 2005 Act allows persons (expected to be employers) to request that the SFC prepares an apprenticeship framework, or amends an existing one. The purpose is to enable employers to identify a need and request a framework where one otherwise would not exist. The SFC must consider such a request for a framework or amendment but could refuse it. The SFC might refuse the request, for example, where the SFC considers it unnecessary or to run contrary to the SFC's (and the Scottish Minister's) objectives.

36. New section 12G(3) gives the SFC the power to charge a reasonable fee to cover the cost of preparing the requested framework. The purpose of this is to allow the SFC to recoup their costs in doing so, especially in the case that there is significant demand.

37. At present, SDS, the Scottish Apprenticeship Advisory Board, the Standards and Frameworks Group and the Apprenticeships Approvals Group lead on apprenticeship definition, standards and delivery, including the preparation of frameworks. Responsibility would transfer to the SFC and the supporting arrangements would evolve.

Issuing apprenticeship certificates

38. At present, training providers pay for a service called [MA on-line](#) from the Federation for Industry Sector Skills and Standards (FISSS) to register a modern apprenticeship and obtain a completion certificate to evidence completion of a modern apprenticeship. This is submitted to SDS to release their final payment in respect of that apprentice.

39. New section 12H of the 2005 Act gives the SFC the power to issue Scottish apprenticeship certificates where they are satisfied the person applying for one has completed a Scottish apprenticeship under one of the frameworks. The SFC can charge a reasonable fee for issuing an apprenticeship certificate.

40. New section 12H(4) gives the Scottish Ministers a power to make provision in regulations about the process for requesting and issuing certificates and the amount of fee that can be charged for issuing a certificate.

Summary of costs

41. Table 3 (below) summarises the additional costs arising from NTPs, apprenticeship and work-based learning provision in Part 1 of the Bill.

Part 1: NTPs, apprenticeships and work-based learning	Range	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Additional costs	Low	970	4,500	3,700	(1,000)	(2,700)	(4,000)
	High	970	10,000	12,000	2,000	600	(2,200)

Table 3. Additional costs arising from NTPs, apprenticeship and work-based learning provision in Part 1 of the Bill. All figures are in £,000 (cash terms).

Modelling Data and Assumptions

Overview

42. SDS and, in some cases the SFC, have delivered NTPs. The modern apprenticeship programme, and half of the foundation apprenticeship programme, are secured and overseen by staff in SDS. These staff working on apprenticeships are based predominantly in what is known as the National Training Programme Directorate in SDS. Note that this is not the structure of the Bill provision: apprenticeship provision is distinct from, and not a subset of, NTP provision.

43. Staff and other resources would be moved from SDS to SFC to deliver SFC's new statutory functions in respect of NTPs and apprenticeships. As a result, the SFC will have increased responsibilities and increased operational costs, of which the largest component will be staff costs.

44. This Financial Memorandum assumes that SDS's other responsibilities are unaffected. I.e. SDS will continue to have responsibility for: the 16+ Data Hub; Partnership Action for Continuing Employment (PACE); skills planning; career information, advice and guidance service; aspects of industry and employer engagement; and provision of shared services to a number of other public bodies. SDS will have reduced responsibilities and reduced operational costs, primarily as a result of the apprenticeship programme and relevant staff transferring to the SFC.

45. The most significant contribution to additional ongoing operating costs is from SDS staff being transferred to the SFC. This increases with the number of and seniority of staff being transferred. The largest contribution to the ongoing costs from staff transfer is from pay harmonisation but there are other costs, such as IT provision and office space, which are relevant. The greatest uncertainty in costs arises from pension transfers but this has narrowed considerably since the introduction of the Bill in February 2025. There are also additional ongoing operational costs from the SFC's new statutory functions, including issuing apprenticeship certificates and statutory guidance, discussed in Part 1B of this document.

46. As of 2024, the SFC had around 190 FTE staff and SDS has around 1,284 FTE staff working across the country, the vast majority of whom are careers advisers. The Financial Memorandum at introduction assumed that between 148.4 and 174.6 FTE staff would transfer from SDS to SFC across a range of grades. These estimates were based on initial SDS cost to serve modelling and are used in the modelling in this document.

47. In September 2025, SDS's provided a revised estimate which 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. Those 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.

48. One of the complications is that SDS staff support apprenticeship delivery in a variety of ways. The apprenticeship programme is supported by: staff in the National Training Programme Directorate; staff in other directorates whose role is fully dedicated to apprenticeship delivery; staff within other directorates whose role is predominately dedicated to apprenticeship delivery; and staff in corporate or shared services who dedicate part of their time to supporting the delivery of apprenticeships. This means that the apprenticeship programme is delivered by a certain number of staff who work full-time on the programme and a range of staff who devote a fraction of their time to it. Obviously, fractions of persons cannot be transferred, so there would need to be a consolidation of roles which means that the number of people transferred could be higher or lower than the FTE range. The people in scope of transfer will be determined through the application of TUPE⁷.

49. There is more work to be done, and the TUPE process to follow, including engagement with HR, recognised trade unions and affected staff, to identify specific people to be transferred from SDS to the SFC. Logically, it is necessary first to define the functions, then engage with staff and unions regarding transfer arrangements, before finalising cost estimates. It would be premature, and presume the will of the Scottish Parliament, to engage specific staff in detailed transfer discussions before the Bill has been passed by the Scottish Parliament.

Methodology

50. Estimates have been informed through: stakeholder engagement, and via consideration of detailed technical submissions from SDS and the SFC; publicly available data, including the SFC annual accounts⁸, SDS annual accounts⁹ and HMT GDP deflators, for example; and from comparable reform programmes from Scotland and across the UK to estimate costs of change in areas such as workforce, IT services and estates costs.

51. SDS and the SFC provided data to the project team between August and September 2024. They provided information requested in the format, and using the assumptions (including around inflation), that best reflected their existing operational planning assumptions.

52. This Financial Memorandum calculates the additional costs (savings) arising from the SFC exercising their new functions set out in the Bill by comparing this with a continuation of business as usual. This Financial Memorandum includes any extant transformation programmes and planned efficiency improvements within business as usual, but does not model any new changes.

53. Business as usual is the operating costs and planned expenditure of the SFC as an entirety and that part of SDS which delivers apprenticeships and the associated internal support services. Note that this is a notional grouping, as there are some SDS staff for whom this is a part of their

⁷ Transfer of Undertakings (Protection of Employment).

⁸ [Scottish Funding Council annual report 2023-24](#)

⁹ [SDS annual report and financial statements 2022-23](#)

role and some systems which support both the apprenticeships work and the other work of SDS. For the SFC, business as usual includes all staff and non-staff running costs.

54. For the purposes of this Financial Memorandum, no assumptions have been made about potential savings from additional efficiencies such as through shared systems and services (noting that SDS's Transform 27 cost reduction initiative is factored into the estimates). These are likely to be identified as part of detailed design work towards a new target operating model. Therefore, the Financial Memorandum may be skewed towards pessimistic assumptions in relation to operating costs in later years.

55. This Financial Memorandum sets out estimates of costs (savings) for 2025-26 and the five years of the next Scottish Parliament.

National Insurance

56. The UK Government announced an increase to employer National Insurance in the UK Budget of 30 October 2024. This was not reflected in the SFC and SDS staff cost estimates which were prepared before the UK Budget. The increased costs to SDS and the SFC arise from two separate elements¹⁰:

- a fixed cost per employee of c. £1,400 from lowering the threshold; and
- a variable cost of approximately 1.2% of salary (neglecting lower and upper threshold effects).

57. The first has an impact on the overall pay bill but no impact on the additional cost. The second, broadly speaking, inflates any additional costs arising from staffing (the transition team and pay harmonisation) by up to 1.2%. This has not been taken into account in the modelling; the uncertainties in the estimates are significantly greater than 1%.

Costs on the Scottish Administration

58. Transitional costs are attributed to the Scottish Administration. These costs will be directly incurred by the Scottish Administration and funded by the Lifelong Learning and Skills Directorate. (Of course, the public body costs will also be borne by the Scottish Administration indirectly; these are recorded separately in this Financial Memorandum.)

Transition costs

59. Transition costs are defined as short-term or one-off costs resulting from the move from business as usual under the reform trajectory. (The "reform trajectory" means the arrangements at any given point in time, before or after the transfer date, as the plans for reform and the Bill progress.) It is expected that transition costs will be incurred from 2025-26, in anticipation of the legislation being passed, through 2026-27 as part of implementation and beyond.

¹⁰ Assuming all employers are paid more than £9,100 per annum.

Transition costs: summary

60. Table 4 (below) summarises the additional costs (savings) for the Scottish Administration incurred by Lifelong Learning and Skills Directorate in carrying out the transfer of operational responsibility for provision of NTPs and apprenticeships from SDS to SFC. Some preparatory (staff) costs are expected to be incurred in 2025-26, before the Bill has passed, with the remaining costs incurred in 2026-27. Any pension shortfall payment is expected to materialise in 2027-28; this is explained at paragraph 73 onwards below. There are no anticipated further direct costs to the Scottish Administration in future years.

Activity	Range	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Staff costs	Low	830	2,900	2,100	-	(670)	(2,000)
	High	830	3,100	10,000	-	(1,400)	(4,300)
Non-staff costs	Low	140	1,600	1,000	1,000	-	-
	High	140	7,200	-	-	-	-
Total	Low	970	4,500	3,100	1,000	(670)	(2,000)
	High	970	10,000	10,000	-	(1,400)	(4,300)

Table 4. The additional costs (savings) for the Scottish administration in the reform trajectory. All figures are in £,000 (cash terms).

61. The transition costs set out above are based on costs estimated in similar structural reform projects. There is a risk that the transition costs could be significantly underestimated.

Transition costs: staff - summary

62. The transition costs (other than relating to pension transfer amounts) are summarised in Table 5 below.

Transition staff costs	Range	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Transition team	Low	830	2,900	450	-	-	-
	High	830	3,100	840	-	-	-
Pension shortfall payment	Low	-	-	1,000	-	-	-
	High	-	-	8,000	-	-	-
Restructuring	Low	-	-	670	-	(670)	(2,000)
	High	-	-	1,400	-	(1,400)	(4,300)
Total	Low	830	2,900	2,100	-	(670)	(2,000)
	High	830	3,100	10,000	-	(1,400)	(4,300)

Table 5. Summary of staff transition costs, comprising the transition team and pension shortfall payment. All figures in £,000 (cash terms).

Transition costs: staff

63. There are three types of staff cost arising:

- a) Transition team
- b) Pension shortfall payment
- c) Restructuring.

Transition team

64. The Financial Memorandum modelled a transition team being established within the Scottish Administration, including a range of specialists potentially including HR, finance, procurement, digital, data and systems. As planning for implementation has progressed, it has become clear that it is the SFC which needs to host a transition team, as it has legal responsibilities as the new employer of transferring SDS staff and it is best placed to oversee and manage work on IT and other changes required to support delivery. It is the SFC, not the Scottish Administration, that need the services of any technical architects, business analysts and change managers etc.

65. The low to high range estimates for transitional team staffing are due to differing levels of resource and expertise being assumed.

66. For 2025-26, the SFC has estimated a cost of £720k for their transition team. The Scottish Administration expects to spend around £110k on core civil service posts additionally allocated to supporting the implementation of the legislation. All of this is temporary expenditure funded from the Reform Programme Level 4 in the Scottish Budget 2025-26. For 2026-27, the SFC has estimated a cost of £2.7 million for their transition team and the Scottish Administration expects to spend between £200k and £400k on additional staff costs. It is assumed that the transition team staffing will taper away quite sharply in 2027-28.

Pensions

67. Pension considerations are relevant for those currently employed in SDS who may be in scope of transfer to the SFC. This is because SDS staff are members of the Local Government Pension Scheme (Scotland) (“LGPS”) whereas SFC staff are members of the Civil Service Pension Scheme (“CSPS”).

68. It is anticipated that affected staff will be offered the opportunity to transfer from the LGPS to the CSPS. Significant work and engagement would be required with SDS, staff, trade unions, pension fund administrators and actuaries to provide staff with specific pension options.

69. Typically, staff are given a three-month period in which to decide. Experience of other transfers shows that take up rates can vary widely; commonly in the range between 20% and 80% uptake, but higher and lower uptake is not unknown.

70. Actuarial advice is required to calculate the implications for individuals affected.

71. The cost of transferring pension provision from one provider to another comprises both the actuarial cost and the payment of any “shortfall payment”. The shortfall payment in this case would be the difference between the aggregate transfer value of accrued benefits from the LGPS and the amount required by the CSPA to honour the terms of the transfer.

Pensions: actuarial advice

72. The cost of actuarial advice is the fee payable to the Government Actuary’s Department or pension fund itself; the Strathclyde Pension Fund, in this case. Some £30k is expected to be spent in 2025-26. The cost in 2026-27 is estimated to be £75k on the assumption that a high number of staff choose to transfer their pension. The actual number of staff choosing to transfer is hard to predict (see discussion of pension transfer costs below). It will only be confirmed once a detailed offer has been made to the affected staff and the three-month for them to consider and decide on their preferred option period has elapsed.

Pensions: shortfall payment

73. There are significant challenges in trying to estimate the shortfall payment. They can only be accurately assessed by seeking, and paying for, actuarial advice in respect of the specific cohort of affected staff¹¹. Analysis to date is based on numbers of individuals potentially in scope to transfer, their grade and FTE status.

74. 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 of 150 to 180 people transferring with a range of take up from 20% to 80%. There remains significant uncertainty due to staff numbers, grade and length of service etc. This represents government actuaries’ best estimate based on the information available. Any shortfall payment would be expected to arise in financial year 2027-28. For more information, see Annex A1 of the SG Response to the Stage 1 Report.

75. The actual staff transfer costs depend on the number of staff being transferred, their specific circumstances, the terms and conditions offered to them and decisions made by them. Further information about this is at Annex B of the SG Stage 2 Letter.

Restructuring costs

76. SDS provided the following advice to inform the SG Response to the Stage 1 Report.

77. 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 redundancy

¹¹ See, for example, the complexity in calculating transfer values for the LGPS:
[LGPS Scotland Transfer Guidance Note 29 February 2024 .pdf \(pensions.gov.scot\)](#)

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 of the SG Response to the Stage 1 Report.

78. To estimate the costs and savings, we have assumed that the process occurs over a three year period from 2027-28 to 2029-30 in equal tranches. The one-off costs are anticipated to be double the annual savings. This means that there is a net cost in 2027-28, it is cost neutral in 2028-29 and there is a net saving in 2029-30 and thereafter.

Transition costs: non-staff - summary

79. The non-staff transition costs are summarised in Table 6 below.

Transition non-staff costs	Range	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Actuarial advice	Low	30	75	-	-	-	-
	High	30	75	-	-	-	-
Analytical support	Low	-	-	-	-	-	-
	High	-	50	-	-	-	-
Legal advice	Low	110	75	-	-	-	-
	High	110	75	-	-	-	-
Communications, branding and marketing	Low	-	-	-	-	-	-
	High	-	-	-	-	-	-
Consultancy support	Low	-	100	-	-	-	-
	High	-	100	-	-	-	-
IT equipment	Low	-	390	-	-	-	-
	High	-	390	-	-	-	-
IT systems	Low	-	1,000	1,000	1,000	-	-
	High	-	6,500	-	-	-	-
Total	Low	140	1,600	1,000	1,000	-	-
	High	140	7,200	-	-	-	-

Table 6. Summary of non-staff transition costs, which all fall in 2026-27. The lower cost estimate for IT systems is Option 2 and the higher cost estimate is Option 1 (see paragraph 87 and following). All figures in £,000 (cash terms).

Transition costs: non-staff

80. There are seven sets of costs considered under the non-staff heading:

- a) Actuarial advice
- b) Analytical support
- c) Legal advice
- d) Communications, branding and marketing
- e) Consultancy support

- f) IT equipment
- g) IT systems.

Actuarial advice

81. This is discussed at paragraph 72 above.

Analytical support

82. External analytical support may be needed to complete the full business case for the Bill and implementation. These costs are estimated at £50k and expected to fall in 2026-27.

Legal advice

83. External legal advice may be required to support transition, perhaps in relation to the tax implications of the changes. As the detailed nature of these requirements is unclear, the estimates mirror the estimated actuarial costs. Both of the services are professional.

Communications, branding and marketing

84. The work involved in communications, branding and marketing depend on decisions made by the Scottish Ministers and the views of the SFC and other stakeholders on the future name, structure and communications approach of the SFC. Such work could include developing branding for the new body and establishing its website. The SFC expects to be able to manage this in-house using internal design and marketing skills and experience at no additional cost.

Consultancy support

85. Costs of consultancy support has also been factored in to assist in areas relating to change management (such as governance and cultural change). These professional services cost estimated are based on similar work taken forward recently within the Scottish Government. The low and high cost of these services is estimated to be £100k. These estimates are based on a day rate of £600 plus VAT for a change management consultant contracted for seven months.

IT equipment

86. Initial IT hardware and systems costs have been provided based on the current unit costs to the Scottish Government and public bodies for using the Scottish Government's SCOTS IT platform. The costs are estimates and would be different if a different platform was used. The lower cost estimate is based on a per user charge for the issuing of a laptop and telephony equipment (transitional cost of c. £1.5k per user) and subsequent network service access and licences (operating cost of c. £1.0-1.2k per user). The higher cost estimate additionally includes the installation of new network connections (additional transitional cost of c. £1k per user).

IT systems

87. 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.

88. To ensure value for money and continuity of service, the SFC commissioned external consultants to undertake a feasibility study (“**the study**”) with external consultants which completed on 22 December 2025, with the options appraisal completed on 9 January 2026. This included 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 has provided a firmer evidence base for initial costings and will inform a joint recommendation on the preferred option. This option will then be fleshed out in depth and assessed against operational and other considerations to become a fully costed proposal. The study concluded that a full transfer of digital systems from SDS to the SFC by April 2027 is not achievable under any approach and explored alternative options for supporting the SFC with service delivery from 1 April 2027.

89. **Option 1:** a full transfer (“**lift and shift**”) of the Funding Information and Processing System (FIPS) and tightly coupled components to the SFC was estimated to cost between £5.5 million and £6.5 million in the SG Stage 2 Letter. While this option would deliver the fastest route to full accountability, it carries higher risk and offers limited opportunity for continuous improvement.

90. **Option 2:** SDS would provide a managed service for two years beyond April 2027 while the SFC builds a future-ready system aligned with its redesigned funding responsibilities (“**serve and build**”). This would have a different cost profile, making use of planned investment and represent better value. This approach spreads technical risk and ensures uninterrupted apprenticeship delivery. It also creates long-term value by delivering a unified funding system, modernised processes, improved data analytics, and operation efficiencies that reduce future running costs. The study recommended this option from an IT systems delivery perspective because it manages risk, supports continuity and provides new opportunities to align with the redesigned funding body’s target operating model and the expected benefits of reform.

91. It is estimated that Option 2 would cost around £1 million in 2026-27 to operationalise the SFC’s responsibility of apprenticeship delivery while SDS continues to host and operate. This stabilising period would provide the technical, operational, and organisational space and time required to maintain continuity while planning for later stages of transition.

92. Under Option 2, the build work in 2027-28 and 2028-29 would be treated as part of an already planned, continuous improvement programme, with an indicative cost of around £3 million per year to deliver a new system that aligns with the responsibilities of a redesigned funding body. This is considered an “Invest to Save” opportunity to deliver longer-term savings. During this period, Digital Data and Technology (DDaT) teams develop new capabilities to align with the redesigned funding body. This will involve detailed architecture design, commissioning of a modern system, and safe migration of data and processes.

93. The net effect of a managed service is expected to be cost neutral, when looking at total costs across both public bodies, although the estimates in Table 6 have pessimistically allowed for additional service costs of £1 million in both those years. The cost of Option 2 is in the same region as the revised costs of Option 1 when spread over an equivalent timeframe. However,

Option 2 spend builds a future-focused system that brings together all areas of funding, quality assurance, strategic risk (e.g. institutional financial sustainability), thereby delivering the benefits of bringing funding for all post-school provision into one funding body.

94. Extensive review work has been carried out as part of the study. This included technical due diligence of existing systems, mapping processes and operating procedures, and a detailed options appraisal. Evidence was gathered through document reviews, interviews, and validation exercises to ensure accuracy and defensibility. Five technical options were assessed using Multi-Criteria Decision Analysis against criteria including reform benefits, service continuity, value for money, organisational impact, and strategic alignment.

95. The further work undertaken between Stages 2 and 3 of the Bill has advanced the options appraisal and feasibility analysis, enabling a more detailed assessment of the available approaches. This has included comprehensive research into the technical operability of each option, resulting in greater clarity and increased confidence of the associated cost estimates set out in detail in **Annex C** of the SG Stage 2 Letter. The evidence gathered through this process forms the basis of the recommendation on the preferred option.

96. The final decision between Options 1 and 2 (and any others that emerge) will need to take account of the impact on staff and staff transfer arrangements, and other potential dependencies, as well as overall cost of delivery and associated efficiency savings. Both of these options require further work to improve the accuracy of cost estimates and deeper due diligence on the legalities, implications and risks associated with them prior to making a final decision. No decisions have been taken at this stage.

97. The recommendation will be subject to formal consideration by both the SDS and the SFC Boards before any final decision is made. Once the decision is made, SDS and the SFC will enter a detailed planning phase to refine technical specifications, implementation timelines, cost projections and risk mitigations, ensuring accuracy and delivery planning and continuity of service. To inform their consideration, the SFC will also need to be sufficiently far advanced in developing its target operating model for itself as the redesigned funding body. The Scottish Government expects a final decision to be made in spring 2026.

Costs on local authorities

98. There are no costs on local authorities from the reform trajectory. There may be a negligible saving from any change to the approach to issuing apprenticeship certificates (see below) to the extent that local authorities pay for them at present.

Costs on other bodies, individuals and businesses

99. The reform trajectory has the most significant effect on SDS and the SFC. The transition costs were considered under costs on the Scottish Administration. Operating costs, and changes to operating costs are attributed to SDS and the SFC. Changes to operating costs take effect from the transfer date.

Operating costs: staff

100. Staff operating costs are gross staff costs. There is some level of uncertainty over ongoing staff costs; this will be affected by number of people transferring and their terms and conditions (pay harmonisation and any changes to ongoing employer pension contributions).

SDS headcount

101. The SDS headcount is modelled in the same way for business as usual and the reform trajectory in the same way as in the Financial Memorandum at introduction.

102. The lower cost estimate is based on 148.4 FTE staff being transferred. This is SDS's estimate of FTE equivalent staff working in the National Training Programme Directorate on the apprenticeship programme. The higher cost estimate is based on 174.6 FTE staff and additionally includes SDS's estimate of FTE equivalent staff working in shared services and corporate functions in support of the apprenticeship programme.

103. In the higher cost estimate, it is assumed that SDS headcount would continue to be managed down over the forecast period as per SDS's assumptions made within Transform 27, before and after the transfer date. Transform 27 is SDS's internal change programme which aims to ensure that, by 2027, it has transitioned to a new, more sustainable operating model to deliver the vision in its 2022-27 Strategic Plan¹². Transform 27 ends with a significantly reduced headcount in 2029-30 which is flat thereafter. For modelling purposes, it is assumed that Transform 27 would progress in the same way under business as usual and the reform trajectory.

104. In the lower cost estimate, it is assumed that the same percentage reduction in headcount is achieved year-on-year as in Transform 27 but from the lower starting point and reaching the target headcount one year earlier.

SFC headcount

105. Under business as usual, the higher cost estimate for SFC staffing is that provided by the SFC based on a static headcount of 190.8 FTE at full occupancy (no vacancies).

106. The lower cost estimate for SFC staffing is as above but with a 3% vacancy rate applied (which is commonly the case in the SFC).

107. The reform trajectory is the same except that the headcount is augmented by the transfer of staff from SDS on the transfer date and the SDS cohort headcount follows the same path as if it had not been transferred.

Salary and pay awards: BAU

108. Under business as usual, the higher cost estimate uses SDS's gross staff cost estimates under Transform 27. The lower cost estimate pro rates these to the lower headcount trajectory.

¹² See [SDS Annual Review 2022-23](#).

Under Transform 27, SDS applies a 3% pay award assumption to 2025-26 and a 1% assumption thereafter.

109. The lower cost estimate for SFC is based on applying the Scottish Government annual pay award of 3% of salary to SFC staff costs each year starting with 2024-25 salary costs and ending in 2027-28, thereafter pay is flat.

110. The higher cost estimate for SFC is based on gross staff costs provided by the SFC which grow by roughly 3% year-on-year based on a continuing annual pay award.

Salary and pay awards: reform trajectory

111. Under the reform trajectory, the business as usual lower and higher staff cost estimates are used but with pay harmonisation factored in for the transferred SDS staff.

112. Initial estimates have been made for harmonisation of staff terms and conditions by comparing grades and pay scales between the SFC and SDS. The lower cost estimate for harmonisation is nil, on the basis that all SDS staff salaries are within the pay range for the matched grade at the SFC. The higher cost estimate is calculated on the basis that all SDS staff salaries need to be augmented to the nearest pay range minimum in the SFC. For example, an individual whose salary is £40k at SDS whose role is matched to E2 grade in the SFC (salary range £38k to £45k) would not need an adjustment but an individual paid £36k at SDS and matched to E2 might need to be uprated to £38k. The actual cost of harmonisation will be determined through negotiations with employers and trade unions.

Ongoing pension contribution costs

113. 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 from 1 April 2027. For more information, see paragraphs 13 and following at Annex A1 of the SG Response to the Stage 1 Report.

114. 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.

Operating costs: non-staff

115. Non-staff costs include IT systems, estates and a range of other corporate costs.

116. For the SFC, this includes whole organisation non-staff costs. The lower cost estimate uses the figures provided by the SFC. The higher cost estimate tracks the lower cost estimate with a 5% margin of error added to it.

117. For SDS, non-staff costs have been indirectly provided by SDS, from which a per person rate has been derived. This is then applied to the lower and higher headcount paths described above.

118. Under the reform trajectory, the non-staff costs are increased by the IT systems and estates costs described below.

IT operational costs

119. IT transitional and operational costs are explained at paragraph 86 and following. It is assumed that there is no change in the operating costs of such systems.

Estates

120. In the longer term, as this is a move of staff between one organisation and another, rather than bringing in new workers, there should be no additional estates cost. However, in the shorter term, the sizes of offices and the terms of leases mean that additional office space needs to be considered and costed.

121. The lower cost estimate is nil and assumes no additional accommodation for the SFC. In this scenario, the increased headcount would have to be absorbed into the existing estate, perhaps by an increased use of working from home as part of a hybrid working strategy. Staff in SDS's National Training Programme Directorate currently operate with high levels of home working.

122. The high cost estimate makes provision for additional accommodation costs for the SFC based on recent comparable examples of shared public sector accommodation. The estimate is around £300k per year based on current rent plus service charges for one floor of Montith House, where SDS are currently based. This would provide additional capacity for approximately 30 to 70 people at any given time (depending on how the space is divided between desk and meeting space) as a bridge between changes in leases. Future policy decisions on estates would need to be aligned to the Single Scottish Estate (SSE) programme, which is supporting a more efficient approach to public sector property management, optimising costs and estate footprint and enabling the delivery of excellent public services. The SSE covers all public bodies subject to the Scottish Public Finance Manual (SPFM) and is engaging with bodies across the public sector in Scotland; public bodies are represented on SSE governance boards.

Baseline: business as usual (BAU)

123. Table 7 below shows the estimated business as usual operating costs of the SFC as a whole combined with the business as usual operating costs relating to the part of SDS which would be transferred to the SFC under the reform trajectory. No significant policy changes have been assumed. Only transformation work already planned or in progress, included by SDS in its baseline return, has been factored in.

*This document relates to the Tertiary Education and Training (Funding and Governance)
(Scotland) Bill as amended at Stage 2 (SP Bill 57A)*

Business As Usual operating costs	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Staff costs	Low	26,000	26,000	26,000	25,000	25,000
	High	27,000	27,000	27,000	27,000	28,000
Non-staff costs	Low	6,100	6,600	6,600	6,700	7,300
	High	6,400	6,900	6,800	6,900	7,400
Total	Low	32,000	33,000	32,000	32,000	33,000
	High	33,000	34,000	34,000	34,000	35,000

Table 7. The business as usual operating costs of the SFC as a whole and the operating costs relating to the part of SDS which would be transferred to the SFC under the reform trajectory. All figures are in £,000 (cash terms).

124. Table 7 does not include programme costs for the SFC nor SDS; SDS's apprenticeship programme budgets and costs would move to the SFC. They are not directly affected by the Bill, but see paragraph 143 below.

The reform trajectory

125. Table 8 shows the estimated staff and non-staff operating costs as with Table 7 above but under the reform trajectory.

Transfer: operating costs	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Staff costs	Low	26,000	26,000	26,000	26,000	26,000
	High	27,000	28,000	28,000	28,000	29,000
Non-staff costs	Low	6,100	6,700	6,700	6,800	7,400
	High	6,400	7,300	7,200	7,300	7,900
Total	Low	32,000	33,000	33,000	32,000	33,000
	High	33,000	36,000	35,000	36,000	37,000

Table 8. The operating costs of the SFC as a whole and the operating costs relating to the part of SDS which would be transferred to the SFC under the reform trajectory, with the implementation of the transfer of responsibilities. All figures are in £,000 (cash terms).

Summary: additional operating costs

126. Table 9 (below) summarises the additional costs (savings) for operating costs of SFC and SDS arising from the reform trajectory compared against business as usual. The savings in SDS arise as a result of responsibility for NTPs and apprenticeships transferring to the SFC. The total row in Table 9 is equal to the total row in Table 8 (reform trajectory) minus the total row in Table 7 (BAU).

This document relates to the Tertiary Education and Training (Funding and Governance) (Scotland) Bill as amended at Stage 2 (SP Bill 57A)

Scottish Funding Council	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Staff costs	Low	-	9,600	9,100	8,800	8,900
	High	-	11,000	10,000	9,800	9,900
Non-staff costs	Low	-	3,300	3,400	3,600	3,600
	High	-	3,700	3,800	3,900	3,900
Total	Low	-	13,000	13,000	12,000	13,000
	High	-	15,000	14,000	14,000	14,000
Skills Development Scotland	Range	2026-27	2027-28	2028-29	2029-30	2030-31
Staff costs	Low	-	(9,200)	(8,800)	(8,500)	(8,600)
	High	-	(9,600)	(8,900)	(8,500)	(8,600)
Non-staff costs	Low	-	(3,100)	(3,300)	(3,400)	(3,500)
	High	-	(3,300)	(3,400)	(3,400)	(3,500)
Total	Low	-	(12,000)	(12,000)	(12,000)	(12,000)
	High	-	(13,000)	(12,000)	(12,000)	(12,000)
Combined	Range	2026-27	2027-28	2028-29	2029-30	2030-31
Total	Low	-	490	470	470	470
	High	-	1,800	1,800	1,800	1,800

Table 9. Additional operating costs (savings) for the Scottish Funding Council, Skills Development Scotland and combined under the reform trajectory. All figures are in £, 000 (cash terms).

127. These costs (savings) will ultimately be met by the Scottish Administration.

Summary: additional costs

128. Table 10 (below) combines the transition costs in Table 4 with the additional operating costs in Table 9 to give the total additional costs (savings).

Total additional costs	Range	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Additional operating costs and transition costs	Low	970	4,500	3,600	1,500	(200)	(1,500)
	High	970	10,000	12,000	1,800	350	(2,500)

Table 10. Total additional costs combining additional operating costs (savings) with the transition costs. All figures are in £, 000 (cash terms). Note this table does not include costs (savings) in Tables 11 to 14, though they are included in Table 3.

Issuing of apprenticeship certificates

129. New section 12H of the 2005 Act (inserted by section 4 of the Bill) provides a power for the SFC to issue apprenticeship certificates and a power to charge for doing so. They are costed on the basis that both powers are exercised. New section 12H(3) allows the charging of a reasonable fee for issuing a certificate to the person requesting it. New section 12H(4) gives the Scottish Ministers a power to make provision in subordinate legislation about the amount of fee

that can be charged. Whilst the apprentice could make the request and be charged, it is expected that it would normally be the employer or training provider doing so.

130. At present, FISSS issue apprenticeship certificates for Scotland, England and Wales. The proportion of FISSS income and expenditure connected with issuing certificates for Scotland varies significantly year by year. The Scottish Government has estimated the cost of issuing FISSS certificates by averaging relevant information in the five annual sets of accounts from 2018-19 to 2022-23. (It is worth noting a dramatic decline in FISSS expenditure on issuing certificates for England over this period, which makes it hard to establish a baseline.)

Cost to the SFC

131. The five year average income from certification for Scotland is £150k and the five year average expenditure for Scotland is £130k, including a pro rata share of project costs (calculated by allocating project costs between Scotland, England and Wales in proportion to expenditure on certificates by country). These figures are taken to be the low and high cost estimates for the SFC in producing certificates. There are no transition costs, as the SDS FIPS IT system already has the functionality to issue certificates. Table 11 sets out how these costs would vary by financial year.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Issuing apprenticeship certificates	Low	-	140	140	140	140
	High	-	160	170	170	170

Table 11. Costs for the SFC in issuing apprenticeship certificates. All figures are in £,000 (cash terms).

Federation for Industry Sector Skills and Standards (FISSS)

132. FISSS would lose the income from Scotland which, in four years out of five, has significantly exceeded expenditure on Scotland. The difference averages out to be a net loss to FISSS of £20k per year.

Independent training providers and employers

133. Assuming that the SFC charges independent training providers and employers for cost recovery, then there should be no additional cost to them. There may potentially be a saving if the SFC can administer the process at less than the high cost scenario.

134. Table 12 (below) summarises the additional costs (savings) for independent training providers and employers by comparing the FISSS income with the SFC's estimated costs above.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Apprenticeship certificate fee costs	Low	-	(29)	(29)	(30)	(30)
	High	-	-	-	-	-

Table 12. Summary of the additional costs (savings) for independent training providers and employers. All figures are in £,000 (cash terms).

Scottish apprenticeship frameworks and requests

135. New section 12F of the 2005 Act (introduced by section 4 of the Bill) gives the SFC the power to prepare and publish Scottish apprenticeship frameworks. There are 138 non-statutory frameworks (or types of apprenticeship) currently available covering modern, foundation and graduate apprenticeships. At present, SDS is responsible for preparing and publishing these apprenticeship frameworks. This responsibility will move to the SFC. But the costs are already accounted for in the operating costs of SDS, which will be transferred to the SFC.

136. In the past, SDS has procured the development and review of apprenticeship frameworks through the Standards and Framework Programme on behalf of the Scottish Government, Welsh Government and Northern Ireland Executive¹³. The costs in the ITT (excluding VAT) range from £6,000 to review an apprenticeship framework to £11,000 for a new apprenticeship framework in Wales or Northern Ireland (not Scotland). More recently, SDS has developed apprenticeship frameworks for Scotland in-house and the costs are likely to be lower.

137. In 2023-24, SDS completed developing six new apprenticeship frameworks for Scotland and reviewed a further seven. SDS are in the process of developing a further 14 apprenticeship frameworks for Scotland with a view to completing them in 2024-25¹⁴.

138. New section 12G of the 2005 Act (introduced by section 4 of the Bill) allows employers (and others) to request that the SFC prepare or amends an apprenticeship framework and gives the SFC the power to charge doing so. SDS already engages extensively with employers to develop apprenticeship frameworks. In effect, requests for frameworks and their development are already included in the operating costs of SDS, which will be transferred to the SFC. Furthermore, under current apprenticeship arrangements, it is possible for sectors to develop their own apprenticeships, which go through the usual apprenticeship development process and receive some support from SDS but do not receive a funding contribution.

139. The novel feature is that an employer (or other requestor) could be charged for the costs incurred by SFC in the preparation or amendment of a framework. It is hard to estimate the level of demand for new or amended frameworks, how many would be progressed by the SFC, or the time spent in processing them. Firstly, the number of frameworks proactively prepared by the SFC will depend on the future direction of apprenticeship policy. Requests for new frameworks would respond to any perceived gaps in the frameworks already in place. Secondly, this is a new process which formalises one aspect of employer engagement on apprenticeship programme development. Thirdly, the time taken to prepare or amend frameworks will depend on how much information or requirements to include in them and how collaboratively they are produced. Estimates of demand and costs are informed by the data available in respect of SDS's current activities (at paragraphs 136 and 137 above) but with the expectation that the number of requests made might be higher but the number of requests progressed might be lower.

140. These additional costs have been estimated as follows. The low cost assumption is that there are 14 requests (10% of the current number of frameworks) for new or amended frameworks each year, of which two (roughly 10% of the number of requests) are taken forward. There is work for the SFC in assessing each request and then further work in developing a framework for the

¹³ Through Public Contracts Scotland, see: [Notice - NOV464801](#).

¹⁴ [Apprenticeship Approvals Group \(AAG\): Chair's End of Year Report 2024](#).

requests that are progressed. The low cost estimate assumes five hours middle management staff time at the SFC to process each request and 35 hours of middle management staff time to develop or amend frameworks. The cost to publish the framework is estimated at £1,000 each, giving a total cost for preparation and publication of a framework of just over £2,300. In this scenario, the average cost per request (successful or otherwise) would be just over £500. (The average cost per request also includes the cost of processing unsuccessful requests.)

141. The high cost assumption is that there are 28 requests (20% of the current number) for new or amended frameworks each year, of which seven (25% of the requests) are taken forward. The high cost estimate assumes ten hours of senior management staff time at the SFC to process each request and 70 hours of middle management staff time to develop or amend frameworks. The cost to publish the framework is estimated at £4,000 each, giving a total cost for preparation and publication of a framework of just over £8,300. In this scenario, the average cost per request (successful or otherwise) would be just over £2,700.

142. Table 13 summarises the additional costs (savings) for employers in fees for Scottish apprenticeship framework requests.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Scottish apprenticeship framework requests fee costs	Low	-	7.8	8.0	8.1	8.3
	High	-	81.0	83.0	84.0	86.0

Table 13. Summary of the additional costs (savings) for employers in fees for Scottish apprenticeship framework requests. All figures are in £,000 (cash terms).

Apprenticeship programme expenditure and savings

143. As set out at paragraph 27, Scottish Government funding supported expenditure of approximately £185 million across SDS, the SFC and SAAS to support apprenticeships in 2023-24, of which around £130 million supported modern apprenticeships. The remainder funded foundation and graduate apprenticeships.

144. Under the reform trajectory, SDS's apprenticeship programme budget and expenditure would transfer to the SFC. Table 14 below sets out SDS's forecast of expenditure on the apprenticeship programme under business as usual (row 1), the reduction in SDS expenditure under the reform trajectory (row 2), SDS expenditure under the reform trajectory (row 3) and the corresponding increase to the SFC's expenditure under the reform trajectory (row 4). The table assumes that all of the SDS's budget and expenditure transfers from SDS to the SFC on the transfer date; in practice, there may need to be some phasing.

145. It should be noted that expenditure on modern apprenticeships is forecast to be particularly high in 2025-26, which pushes up the SDS's forecast of programme expenditure for that year. This is because modern apprenticeships vary in length, with some lasting for several years, and some of the delayed starts due to COVID-19 are still to complete their apprenticeships.

146. The operating costs attributed to the Bill, and forecasts of apprenticeship programme expenditure, are based on continuing current policies and processes. The apprenticeship

programme costs are assumed to remain broadly the same (COVID-19 legacy aside) because the dominant share of the expenditure each year is on liabilities (i.e. apprenticeships started in previous years). This means there is a significant time lag to reduce expenditure, even if dramatic changes were made to the programme in 2026-27.

147. Bringing together apprenticeship provision at the SFC, combined with new approaches to delivery, a better understanding of funding flows and a tighter focus on outcomes could deliver savings from 2028-29, one year after the transfer date. The indicative savings shown in row 5 of Table 14 below assume 2% savings on the modern apprenticeship budget of c. £130 million per annum. The extent to which this is deliverable will depend on what duplication can be eliminated through bringing provision together and on policy decisions by the next Scottish Administration. Possible sources of savings include:

- a) Ceasing funding for some apprenticeships which do not align well with the Scottish Ministers' priorities; these will be easier to identify and manage when the SFC has responsibility for all apprenticeships. The Scottish Ministers would set out the policy objectives for apprenticeships when allocating grant funding under new section 12I of the 2005 Act, introduced by section 5 of the Bill, which should be reflected in the range of, and content of, Scottish apprenticeships frameworks prepared by the SFC.
- b) Using the powers in the Bill for the SFC to create frameworks at the request of employers and charge them reasonable costs in respect of that framework. This means that some apprenticeships could be at less cost to the Scottish Administration.
- c) Efficiencies from bringing together responsibility for securing modern apprenticeships and foundation apprenticeships, currently funded by both SDS and SFC. In particular, this is likely to streamline the way colleges are funded to deliver modern apprenticeships and address any inconsistencies in the level of funding for apprenticeships.

148. Row 6 of Table 14 shows the additional expenditure by the SFC on the apprenticeship programme, after the savings in row 5 have been applied.

Programme expenditure	Range	2025-26 £,m	2026-27 £,m	2027-28 £,m	2028-29 £,m	2029-30 £,m	2030-31 £,m
1. SDS BAU		107.2	97.5	97.4	97.1	97.1	96.3
2. SDS change		-	-	(97.4)	(97.1)	(97.1)	(96.3)
3. SDS reform		107.2	48.8	-	-	-	-
4. SFC change		-	-	97.4	97.1	97.1	96.3
5. Apprenticeship savings	Low	-	-		(2.6)	(2.6)	(2.6)
	High	-	-	-	-	-	-
6. SFC additional after savings	Low	-	-	97.4	94.5	94.5	93.7
	High	-	-	97.4	97.1	97.1	96.3

Table 14. SDS apprenticeship programme expenditure under BAU and under the reform trajectory, additional SFC expenditure and the potential savings on the modern apprenticeship budget. Inflation has not been applied to the savings. All figures are in **£, millions** (cash terms).

149. These savings would come from reduced expenditure from the modern apprenticeship budget on colleges, independent training providers and employers.

National Training Programmes

150. Section 3 of the Bill inserts new section 12C into the 2005 Act which gives the Scottish Ministers the powers to make grants to the SFC for the purpose of securing the delivery of NTP provision. The next Scottish Administration will determine the level of funding of NTPs as a matter of policy; the Bill does not generate any additional costs or savings. More information about the NTPs delivered by SDS and the SFC now or in the past are set out at paragraph 141 in the Financial Memorandum.

PART 1B: OTHER FUNCTIONS

Outline of Bill provisions

Review of credit-based funding model

151. Section 2A¹⁵ requires the Scottish Ministers to undertake a review of the credit-based funding model used by the Council for making payments to colleges of further education and other providers of fundable further education. This review is to be undertaken within 12 months of the commencement of this section. The review must consider the provision of fundable further education including the availability of courses provided across Scotland and the ability of providers of fundable further education to deliver courses. A copy of the completed review must be published and laid before the Scottish Parliament. The report must set out the action, if any, that the Scottish Ministers intend to take as a result of the review.

Duty to place conditions on funding: engagement with trade unions, students and external partners

152. Section 2E¹⁶ inserts a new section 9H into the 2005 Act which requires the SFC to require fundable bodies to inform and consult with unions, students and external partners before making decisions with a significant impact on provision for learners, staffing levels and financial sustainability. The SFC can require the fundable body to report to them in relation to a decision that they have made about the process of consultation the fundable body undertook.

Requirement to promote proactive publication

153. Section 6A¹⁷ inserts a new section 12L into the 2005 Act to require the SFC, and any fundable body that receives a payment from the SFC under the 2005 Act, to take steps to adopt a proactive approach to the publication of data which is appropriate for disclosure in the public domain. This amendment defines “proactive approach” to include the routine identification and publication of appropriate information without the need for specific requests. Fundable bodies in the 2005 Act means the further and higher education bodies specified in schedule 2 and any regional strategic bodies.

Financial sustainability of post-16 education bodies: independent examinations

154. Section 9 of the Bill as introduced inserts new section 15A into the 2005 Act to place the SFC under a duty to secure the monitoring of the financial sustainability of the post-16 education bodies (colleges and higher education institutions). It was explained in the Financial Memorandum that the benefits (including financial) would, over time, outweigh any costs from new section 15A of the 2005 Act. This was because the SFC already engages with post-16 education bodies on financial issues and this new duty potentially enables a greater efficiency in doing this while putting the SFC’s role beyond doubt.

¹⁵ Amendment 49.

¹⁶ Amendment 66.

¹⁷ Amendment 128.

155. Section 15(1A) and (1B)¹⁸ enable the SFC, where it considers it necessary to do so, to secure the carrying out of an independent examination into the financial sustainability or the financial governance of a post-16 education body. The provision also requires the governing body to provide such information and make available for inspection the accounts and other documents as may be reasonably required for the independent examination.

156. This provision does not affect independent training providers and employers.

Guidance

157. At present, the SFC may issue guidance to the fundable bodies but it is purely administrative (i.e. it has no statutory basis).

158. Section 10 of the Bill inserts new section 17A into the 2005 Act to give the SFC the power to issue guidance to the fundable bodies and any other person in receipt of funding under the existing provisions of the 2005 Act or under the new functions conferred upon the SFC. This means that the SFC will be able to issue guidance to independent training providers and employers.

159. New section 17A places a duty on the SFC to consult the Scottish Ministers and the bodies or persons to whom the guidance relates before issuing the guidance. The SFC could choose to issue guidance covering all bodies and persons in receipt of SFC funding or to issue guidance targeted at particular types of organisation, such as fundable bodies providing fundable further education.

Widening access to fundable further and higher education: sharing of information

160. Section 12C¹⁹ of the Bill inserts a new section 25B into the 2005 Act in order to require the sharing of specified information between information holders and relevant bodies for the purposes of enabling, encouraging or increasing participation in fundable further and higher education by persons belonging to socio-economic groups which the Scottish Ministers reasonably consider are underrepresented in fundable further education and fundable higher education. The outcome is that the specified information is then available to a post-16 education body which is provided funding for the delivery of further or higher education.

161. Section 25B provides a power for the Scottish Ministers to set out the process in regulations, including prescribing “information holder”, “relevant body” and “specified information”. A “relevant body” may in particular include a post-16 education body which provides fundable further or higher education.

162. Section 25B is intended to enable colleges and universities to better target their widening access policies in relation to under-represented socio-economic groups and identify disadvantaged applicants during the admissions process. This will increase the likelihood of these groups accessing further or higher education, and so improve their opportunity to access well paid jobs in the future.

¹⁸ Amendment 14.

¹⁹ Amendments 17 and 23.

163. The precise process for the data-sharing will be set out in regulations, proposals for which will require detailed development and to be consulted on. For the purposes of providing estimated costings, the Scottish Government has considered five possible exemplar scenarios around the sharing of free school meal (FSM) data:

- a) local authorities provide FSM data to UCAS who then pass it to Scottish universities;
- b) local authorities provide FSM data to SAAS who then pass it to Scottish universities;
- c) local authorities provide FSM data to SAAS who then pass it to UCAS to pass it to Scottish universities;
- d) local authorities provide FSM data to SDS's Participation Portal who then pass it to Scottish universities; and
- e) each local authority provides its FSM data directly to each Scottish university.

164. Universities Scotland, and the institutions from whom they sought feedback, would prefer to receive the data from UCAS as it aligns with current arrangements for sharing FSM data from other UK jurisdictions. Local authorities would prefer to send their data to one body only (SAAS or UCAS) rather than to each university.

165. **Scenario (a) (via UCAS)** would be acceptable to Universities Scotland and the institutions from whom they sought feedback, and local authorities. UCAS has expressed concern about the significant resource and operational challenges for them in putting in place data sharing arrangements with 32 Scottish local authorities individually. Data from English local authorities is collated by the UKG Department for Education and sent to UCAS through one data sharing arrangement. This is the **lower cost option** overall, subject to agreement being reached with UCAS on funding and operation.

166. **Scenario (b) (via SAAS)** limits the interaction for each local authority and university to one extra body (SAAS) but Universities Scotland highlighted that this would be more difficult to implement and would have greater resource implications for universities. UCAS would not be involved. This is the **higher cost option** overall.

167. **Scenario (c) (via SAAS and UCAS)** would also be acceptable to Universities Scotland and the institutions from whom they sought feedback, local authorities and UCAS. This is likely to be easier for UCAS to administer, as it more closely mirrors the single data sharing arrangement for English local authorities.

168. **Scenario (d) (via SDS's Participation Portal (PP))** as a central hub for the data. The PP is capable of onboarding more data-sharing partners, and there is interest in exploring whether this model could be applied in other areas. Local authorities already actively contribute data to the SDS PP system. Census data updates are received via ScotXed, including Additional Support Needs (ASN) data such as dyslexia and ADHD. Data from S1 to S6 is included in census updates. FSM data is not currently included in this dataset. Data from SEEMiS, the standard Education

Management Information System within Scottish Education²⁰ used by local authorities, feeding into the PP system is predominantly focused on the senior phase of education.

169. Currently, there is no UCAS or university data on the PP system. Further work is required to quantify the costs associated with adapting SDS's Participation Portal to allow the gathering of FSM's data and to share the data with UCAS and universities. However, it is anticipated that the costs would be substantial and exceed scenarios (b) or (c), involving SAAS.

170. **Scenario (e) (local authority to university)** is not considered practical, not least given the tight timescales required for making offers to students. This would be resource intensive for both universities and local authorities. This scenario is not considered further in this document.

171. Of course, the regulations under section 25B of the 2005 Act could specify information other than FSM and information holders other than local authorities. For example, Social Security Scotland could be specified as an information holder with Scottish Child Payment ("SCP") data as the specified information. This might be pursued if it was more cost effective and the SCP data was an effective measure.

172. Before any requirement for SCP data to be shared was taken forward, Social Security Scotland would need to undertake a full discovery, particularly to ensure the technical feasibility of the requirement. Upon completion of the discovery stage, Social Security Scotland would then be able to cost the proposal. This is not considered further in this document.

Summary of costs

173. Table 15 (below) summarises the additional costs arising from other functions in Part 1 of the Bill.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Total costs from the other functions in Part 1 of the Bill	Low	330.0	160.0	160.0	160.0	170.0
	High	1,100.0	860.0	600.0	610.0	620.0

Table 15. Additional costs arising from other functions in Part 1 of the Bill. All figures are in £,000 (cash terms).

Costs on the Scottish Administration

Review of credit-based funding model

174. For the purposes of this document, it is assumed that section 2A is commenced on 1 April 2027. This means that the review must be concluded by 31 March 2028. It is assumed that all the costs of the review are incurred in financial year 2027-28. The SFC has already committed to delivering a review of the credit-funding model with scoping work almost complete. It is anticipated that the Scottish Ministers would commission the SFC to meet the requirements of the review under section 2A on their behalf in order to avoid any duplication of effort. The Scottish Ministers would review the draft report provided by the SFC and prepare it for publication. So

²⁰ [SEEMiS Group LLP](#).

the additional costs (over and above work already planned) incurred by the Scottish administration would be staff time and quality assuring the report and in publication.

175. For this purpose, we have estimated a low-cost of publication of £3k and a high cost of £4k, with a low cost assumption of 11 hours of staff time spread across grades and a high cost assumption of 24 hours. This cost of publication is based on the cost to the Scottish Government of publishing of similar documents. The exact cost depends on the document length, formatting and style.

176. After applying inflation, this gives a range of £3.8k to £5.7k for additional costs to the Scottish administration.

Widening access to fundable further and higher education: sharing of information

Costs

177. There is no direct cost to the Scottish Administration in scenario (a) (via UCAS). The Scottish Government would not be involved in the data sharing. However, there would be costs to UCAS, which it is assumed would be met by the Scottish Government; these are set out at paragraph 181 below.

178. Scenario (b) (via SAAS) would require new systems and processes to be put in place, including a new technical solution to facilitate data sharing. As SAAS has experience of handling higher education student data and systems and processes in place to do this, as well as existing data sharing relationships with universities, the assumption is that SAAS would do this work on behalf of the Scottish Government. The establishment cost to put systems and processes in place is estimated at £750k (assumed to fall in 2026-27, although the costs may be spread over 2027-28 in practice) with an annual running cost of £165k. These are initial estimates calculated by SAAS based on the work required to create a secure national service for sharing sensitive pupil-level data, building on their experience of delivering HE student support.

179. The establishment costs of £750k include: programme and governance activity to establish the service and define requirements costing £60k; data protection legal work to create 32 data sharing agreements with local authorities and a further agreement with UCAS costing £120k; digital development build a secure data ingestion and transfer service costing £500k; business readiness, training and documentation costing £30k; and information management resource costs of £40k. The running costs of £165k include: data operations resource to receive, validate and manage local authority data uploads; ongoing engineering and cyber support; web service hosting, monitoring and security logging; annual updates to data sharing agreements and data governance materials, totalling £155k; and information management resource costs of £10k.

180. The cost to the Scottish Government of scenario (c) (via SAAS and UCAS) is anticipated to be more or less the same as scenario (b) (via SAAS). This is because much the same establishment and operational costs would be incurred by SAAS, and met by the Scottish Government, in both scenarios. The difference between the two is in the onward transmission of data to one body (UCAS in (c)) or separately to all the Scottish universities (in (b)).

181. Returning then to the cost of scenario (a) (via UCAS), to calculate the costs, it is assumed that some of the costs incurred by SAAS in scenario (b) would apply (not all, because UCAS already has IT systems and processes in place to handle this data). The principal costs which are expected to apply are a subset of the establishment costs and running costs in scenario (b). The relevant establishment costs total £250k and include: programme and governance activity to establish the service and define requirements costing £60k; data protection legal work to create 32 data sharing agreements with local authorities costing £120k; business readiness, training and documentation costing £30k; and information management resource costs of £40k. The running costs of £60k include: data operations resource to receive, validate and manage local authority data uploads (costing £50k) and information management resource costs of £10k.

Savings and benefits

182. There is economic benefit from more people from deprived backgrounds who want to go to university being identified and supported into university. Over half of the S5 and S6 leavers who had received FSM in secondary school could stand to benefit from contextualised admissions policies as a result of FSM information being shared²¹. The numbers of FSM recipients who will be affected by this change will be subject to raising attainment and aspirations for young people from disadvantaged backgrounds. Initial estimates suggest that, over time, this approach could potentially help support hundreds more suitably qualified FSM recipients who want to progress to higher education each year.

183. While directly comparable Scottish-level counterfactual analysis is limited, UK Government data²² offers the best available benchmark. It shows that, by age 29, men with higher education qualifications earn around 25% more than those with only GCSEs, while women earn 50% more. Human capital theory focuses on the long-term benefits of education for individuals and society²³; when people gain knowledge and skills through education, they become more productive. This helps them earn more, find better jobs, and contribute more to the economy.

Summary: costs on the Scottish Administration

184. Table 16 (below) summarises the additional costs on the Scottish administration in conducting a review of the credit-based funding model and from information sharing to support widening access for fundable further and higher education.

²¹ Scottish Government Pupil Census data shows that, in 2024, there were 57,286 secondary pupils registered for FSM. This is 18% of the secondary school roll. In 2023-24, there were 32,810 Scottish domiciled full-time first degree entrants at Scottish universities. Of this, 5,445 were from the 20% most deprived areas of Scotland (SIMD20), or 16.7%. In 2021-22, the most recent published statistics considering the overlap between FSM and deprivation, 11,191 S5 and S6 school leavers had been in receipt of FSM at some point in secondary school. Around 56% (6,250) of those S5 and S6 leavers did not live in SIMD20 areas.

²² [Labour market value of higher and further education qualifications: a summary report - GOV.UK.](#)

²³ [A Historical Review of the Role of Education: From Human Capital to Human Capabilities.](#)

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Review of the credit-based funding model	Low	3.8	-	-	-	-
	High	5.7	-	-	-	-
Information sharing to support widening access	Low	260.0	64.0	66.0	67.0	68.0
	High	790.0	180.0	180.0	190.0	190.0
Total	Low	270.0	64.0	66.0	67.0	68.0
	High	790.0	180.0	180.0	190.0	190.0

Table 16. Additional costs (savings) for the Scottish Government in conducting a review of the credit-based funding model and from information sharing to support widening access for fundable further and higher education. All figures are in £,000 (cash terms).

Costs on local authorities

Widening access to fundable further and higher education: sharing of information

185. The only substantial cost on local authorities from amendments to Part 1 derives from the provision at section 12C to widen access to fundable further and higher education. Local authorities are the holders of information pertaining to recipients of free school meal (FSM) data. It is anticipated that, under regulations, local authorities will be prescribed as relevant information holders. For the purposes of this document, the assumption is that local authorities will provide Scottish FSM data to a third-party (UCAS or SAAS) for onward transmission to relevant universities, as appropriate. This means the costs on local authorities are the same under scenarios (a), (b) or (c).

186. COSLA has advised that there will be costs on local authorities associated with the sharing of FSM data with post-16 educational bodies. This may involve systems costs from the storing and retention of data, as well as resourcing costs from the additional reporting and administrative workloads for officers. Costs will vary depending on how each local authority currently manages data sharing in other contexts.

187. Local authorities use systems such as SEEMiS, the standard Education Management Information System within Scottish Education²⁴, to gather and share such data currently. For the purposes of this document, it is assumed they continue to use the same systems and that any additional costs derive from additional staff time.

188. A pilot of FSM data sharing in the North-East of Scotland has allowed us to estimate potential local authority staff resource costs. Aberdeen City Council entered into a data sharing agreement, including carrying out a data protection impact assessment (DPIA), with two universities – Robert Gordon University and the University of Aberdeen – before gathering, filtering and sharing information relating to FSM recipients with the universities. Estimated officer time spent on this over the course of one year was around 5 days. As Aberdeen City Council were well placed to implement this data sharing given previous experience and expertise, this figure is used to calculate the lower cost estimate. An average of 10 days of officer time annually per local authority is assumed to calculate the higher cost estimate. The upper end of the G13 pay

²⁴ [SEEMiS Group LLP](#).

grade in Aberdeen City Council (salary cost net c. £45k) has been used for staff costs based on the experience of the pilot. This is increased by 40% to calculate gross salary costs.

189. Further work will be required to engage with local government advisors to plan for implementation and to understand implementation costs fully.

190. Table 17 (below) summarises the costs for local authorities in sharing FSM data.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Information sharing to support widening access	Low	-	51	52	53	54
	High	-	100	100	110	110

Table 17. Additional costs (savings) for the local authorities from information sharing to support widening access for fundable further and higher education. All figures are in £,000 (cash terms).

Costs on other bodies, individuals and businesses

191. The functions are considered in turn below for their cost (saving) impact on the SFC, fundable bodies and independent training providers and employers.

Review of credit-based funding model

192. Section 2A potentially imposes additional costs on the SFC. The SFC has already committed to delivering a review of the credit-funding model with scoping work almost complete. It is anticipated that the Scottish Ministers would commission the SFC to meet the requirements of the review under section 2A on their behalf in order to avoid any duplication of effort. Therefore, the additional costs attributed to section 2A are modest. Section 2A extends the scope of the SFC's review to include consideration of the availability of courses provided across Scotland and the ability of providers to deliver courses. To meet these additional requirements, the SFC anticipate that they might require two to three additional members of staff for one year (or a mix of external expertise) with costs being in the region of £250k. The lower cost estimate assumes that the review can be conducted within existing resource (assuming that work on the review could be aligned with existing work) and the higher cost estimate assumes that the SFC will incur additional costs of £250k in 2027-28.

193. There might be marginal costs to colleges in terms of releasing staff to engage with SFC through focus groups and working groups. However, these are not expected to be substantial and would form part of the normal course of business.

Duty to place conditions on funding: engagement with trade unions, students and external partners

194. New section 9H of the 2005 Act has the effect of requiring the SFC to require fundable bodies to inform and consult with unions, students and external partners before making decisions with a significant impact on provision for learners, staffing levels and financial sustainability. Fundable bodies should be doing this now and this is not a new cost.

195. However, the SFC can also require the fundable body to report to them, in relation to a decision that they have made, about the process of consultation the fundable body undertook. This duty on the fundable body to report to the SFC in this way is potentially a new cost.

196. To calculate a lower cost estimate, it is assumed that five fundable bodies (just over 10%) make a significant decision (within the parameters of this provision) each year and that the SFC asks for a report in respect of half of these decisions. The cost of producing the report is assumed to be £1k to the fundable body in staff time, based on 20 hours at a £50 per hour average gross cost. This generates an annual cost of £2.5k.

197. To calculate a higher cost estimate, it is assumed that ten fundable bodies (around one in four) make a significant decision (within the parameters of this provision) each year and that the SFC asks for a report in respect of all of these decisions. The cost of producing the report is assumed to be £2k to the fundable body in staff time, based on 40 hours at a £50 per hour average gross cost. This generates an annual cost of £20k.

Requirement to promote proactive publication

198. Section 6A, inserting new section 12L of the 2005 Act, requires the SFC and fundable bodies (colleges, higher education institutions and regional strategic bodies) to take steps to adopt a proactive approach to the publication of data which is appropriate for disclosure in the public domain.

199. Scotland is part the Proactive Disclosure Coalition, which will bring together 12 Open Government Partnership member countries with civil society experts who are actively seeking to improve standards and practices around meaningful proactive disclosure of public information. The work of the Coalition over 2026 will be to support the development of an internationally recognised standard, OECD's Good Practice Principles on proactive disclosure.

Freedom of Information and the FOI Reform Bill

200. The SFC, colleges, higher education institutions and regional strategic bodies are subject to the Freedom of Information (Scotland) Act 2002²⁵ ("FOISA").

201. It is tempting to argue that greater proactive publication would lead to fewer FOI requests so that the costs of proactive publication are at least partially offset by reduced FOI case handling costs. This seems intuitive but there is no empirical evidence that proactive publication reduces FOI requests. Sometimes excessive data release can make it harder for stakeholders to find the data that they want. However, it is easier to respond to an FOI request by pointing a stakeholder to a pre-existing publication than assembling and assessing the information on request.

202. The SFC, colleges and universities are already subject to the existing proactive publication requirements of FOISA, i.e. the requirement to maintain a publication scheme, in compliance with the Commissioner's Model Publication Scheme²⁶. However, some stakeholders, including the Commissioner, consider that these arrangements need to be updated as they have not led to the

²⁵ See: [Schedule 1 - Freedom of Information \(Scotland\) Act 2002](#).

²⁶ [Publication schemes | Scottish Information Commissioner](#)

more proactive approach to publication on the part of Scottish public authorities that had been anticipated.

203. The Freedom of Information Reform (Scotland) Bill (“the FOI Reform Bill”) is currently being considered by the Scottish Parliament²⁷. The FOI Reform Bill contains proposals for a general “proactive publication duty” for all Scottish public authorities, to be supported by a new Code of Practice on Proactive Publication to be set and enforced by the Scottish Information Commissioner. The Scottish Government has submitted written evidence to the Standards, Procedures and Public Appointments Committee (“the SSPA Committee”)²⁸, including on the financial impacts of proactive publication requirements in the FOI Reform Bill.

204. The Scottish Higher Education Information Practitioners (SHEIP)²⁹ also submitted written evidence. SHEIP is a group of information practitioners working within Scottish Higher Education Institutions. The group's key aim is to support Scottish universities in their work to comply with Freedom of Information and Data Protection legislation and to encourage best practice in Records Management. In their evidence, they say (quoting parts of their evidence):

“The proposals around revising public authority duties in relation to proactive publication are considered by some to potentially offer a means by which the public could access relevant information without having to submit individual requests... HEIs are broadly supportive of the introduction of a proactive publication duty... We cannot identify any savings associated with the proposed changes. These proposals are likely to increase costs for public authorities.”

205. As of 13 January 2026, the SSPA Committee has yet to produce its Stage 1 report on the FOI Reform Bill. The requirement in new section 12L of the 2005 Act (introduced by section 6A of the Bill) is a somewhat more limited proactive publication duty than the one proposed in the FOI Reform Bill.

Statistical data

206. The SFC is a producer of Official Statistics³⁰, as is the Higher Education Statistics Agency (HESA). Both proactively publish statistics that are in the public interest as outlined by the Code of Practice for Statistics³¹. These bodies collect and publish the statistics to provide a more comparable statistical product across providers.

207. Colleges and universities provide data to HESA (universities) and the SFC (universities and colleges) as part of existing legislation that is then published by HESA and the SFC. Section 22 of the 2005 Act requires fundable bodies to provide the SFC with “*such information as it may reasonably require for the purposes of or in connection with the exercise of any of its functions.*”

²⁷ The [FOI Reform Bill](#) is a Member’s Bill introduced on 2 June 2025 by Katy Clark MSP and is currently at Stage 1.

²⁸ [Letter from the Minister for Parliamentary Business and Veterans dated 13 November 2025](#) (and accompanying memorandum).

²⁹ [Response 561569878 to Freedom of Information Reform \(Scotland\) Bill - Scottish Parliament - Citizen Space](#)

³⁰ [Producers of official statistics – UK Statistics Authority.](#)

³¹ [Understanding Trustworthiness, Quality and Value – Code of Practice for Statistics.](#)

Handling of data by the SFC and HESA

208. The SFC sets out in detail on their website information about what personal data they collect, why they collect it and how they use it³². The SFC publishes a range of statistics on colleges and universities through annual Official Statistics publications. The SFC is already working on a new college data dissemination project (to replace “infact” which was discontinued three years ago)³³. The SFC website and published information is subject to the Open Government Licence. The Open Government License (OGL) is maintained by the National Archives.

209. HESA publish a wide range of Open Data³⁴ and make the data available under Creative Commons³⁵.

Estimate of costs

210. The SFC is already operating under OGL and proactively releases comprehensive amounts of data. There is no additional cost to the SFC from section 6A.

211. Fundable bodies already provide the SFC and HESA with comprehensive amounts of data to enable them to produce their publications and Official Statistics. However, there may be some fundable bodies for whom some additional staff training is required in order to assist with compliance with new section 12L of the 2005 Act. The lower cost estimate assumes that 10% of fundable bodies need one-off additional staff training costing £1k each, based on the costs identified in the [Financial Memorandum](#) accompanying the FOI Reform Bill. The higher cost estimate assumes that 25% of fundable bodies need one-off additional staff training costing £7k each, based on the [Scottish Government’s estimate](#) of the costs of implementing the FOI Reform Bill.

Recommendations to education bodies: independent examination

212. Section 9 of the Bill as amended inserts new section 15A(1A) and (1B) to the 2005 Act which gives the SFC the power to secure the carrying out of an independent examination into the financial sustainability or financial governance of a post-16 education body. It is assumed that, where the SFC exercises this power, there will be a cost to the SFC in paying for the independent examination. For the lower cost estimate, it is assumed that the SFC will, on average, require an independent examination of one post-16 education body every two years and that the cost of each examination is £40k. For the higher cost estimate, it is assumed that the SFC will, on average, require an independent examination of one post-16 education body each year and the cost of each examination is £100k. These estimates are informed by the range of costs for actuarial advice, legal advice and consultancy support in the Financial Memorandum; the costs will depend heavily on the circumstances and expertise required.

³² [Privacy notice - Scottish Funding Council](#).

³³ [College data collections - Scottish Funding Council](#)). The new college data dissemination system will cost around £750k to £1 million to set up and around £250k per annum to run thereafter. This is not a new cost of section 6A.

³⁴ [Data and analysis | HESA](#).

³⁵ [Deed - Attribution 4.0 International - Creative Commons](#).

Guidance

213. The SFC already issues guidance to fundable bodies on a range of matters. For example, the SFC has consulted and developed guidance on the implementation of the Tertiary Quality Enhancement Framework. The SFC also advises and engages with fundable bodies on a range of matters which may not be codified in a guidance document. There is no additional cost to placing existing administrative guidance onto a statutory footing. There is potentially a cost saving if advice provided on a one-to-one basis to fundable bodies was consolidated into guidance available to all.

214. However, the SFC may want to take the opportunity to issue additional guidance in respect of its new or revised functions and consider and develop guidance for independent training providers and employers.

215. These additional costs have been estimated as follows. The low cost assumption is that four additional statutory guidance documents would be produced every two years, requiring 35 hours of middle management staff time at the SFC per document and cost to publish the draft for consultation, and final, guidance documents of £3,000 per publication. This cost of publication is based on the cost to the Scottish Government of publishing of similar documents. The exact cost depends on the document length, formatting and style.

216. The high cost assumption is that eight additional statutory guidance documents would be produced every year, requiring 70 hours of more senior staff time at the SFC per document and cost to publish the draft for consultation, and final, guidance documents of £4,000 per publication.

217. With regard to the implications for fundable bodies, independent training providers and employers, any additional guidance should be helpful to them in going about their business. It is not the intention that guidance would place any additional burdens on them. For example, guidance might help these organisations to comply with a statutory duty more efficiently and effectively.

Widening access to fundable further and higher education: sharing of information

218. UCAS has advised that there would be no additional cost to universities in scenario (c) (via SAAS and UCAS), not least because this information is already provided to Scottish universities in respect of other UK jurisdictions. Universities currently pay for UCAS services via an existing payment model and the current cost would cover the inclusion of FSM and other contextual information³⁶. UCAS would receive the information through one data sharing arrangement with SAAS.

219. Universities Scotland has advised that it is difficult to provide accurate estimates without having a clear proposal for the specific information to be shared and the process by which it would be shared. This detail would be set out and consulted on as part of preparing the regulations.

³⁶ If there were any technical development costs, these would be met by UCAS in the first instance and then potentially passed on to universities as customers.

220. On the assumption that universities receive additional information from UCAS as part of the standard basket of measures data, two universities advised that, although difficult to estimate accurately, it was unlikely that there would be a direct cost to the university. If UCAS were to coordinate a central data share, then the additional work and resource cost would be for universities to update software and automated processes. This may require a one-off cost of up to five days of staff time informed by preliminary engagement with Universities Scotland and some institutions.

221. To cost scenario (a) (via UCAS), we assume that every university requires five days of staff time to make the system changes and thereafter there is no additional cost. The upper end of the grade 7 pay grade at University of Edinburgh (salary cost net c. £49k) has been used for staff costs. This is increased by 40% to calculate gross salary costs. It is assumed that the costs to UCAS would be met by the Scottish Government, see paragraph 177.

222. To cost scenario (b) (via SAAS), we assume that every university requires ten days of staff time to make the system changes and thereafter there is a recurring annual requirement for ten days of staff time. This is because each university would need to integrate data from SAAS with data from UCAS for other parts of the UK; this is more complicated than receiving all the information from UCAS. There is no additional cost to UCAS.

223. To cost scenario (c) (via SAAS and UCAS), we assume that every university requires five days of staff time to make the system changes and thereafter there is no additional cost, as with scenario (a). This is because, from the universities' perspective, there is no difference in workload from scenario (a). There is no significant additional cost to UCAS.

224. The lower cost estimate assumes that scenario (a) (via UCAS) is implemented and every university requires five days of staff time to make the system changes and thereafter there is no additional cost. The higher cost estimate assumes that scenario (b) (via SAAS) is implemented and every university requires ten days of staff time to make the system changes and thereafter there is a recurring annual requirement for ten days of staff time. The upper end of the grade 7 pay grade at University of Edinburgh (salary cost net c. £49k) has been used for staff costs. This is increased by 40% to calculate gross salary costs.

Summary: costs on the SFC

225. Table 18 (below) summarises the costs (savings) for the SFC from these provisions in the Bill.

*This document relates to the Tertiary Education and Training (Funding and Governance)
(Scotland) Bill as amended at Stage 2 (SP Bill 57A)*

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Review of credit-based funding model	Low	-	-	-	-	-
	High	-	270.0	-	-	-
Proactive publication	Low	-	-	-	-	-
	High	-	-	-	-	-
Independent examination	Low	21.0	21.0	22.0	22.0	23.0
	High	110.0	110.0	110.0	110.0	110.0
Statutory guidance	Low	-	16.0	16.0	16.0	17.0
	High	-	110.0	110.0	110.0	110.0
Total	Low	21.0	37.0	38.0	39.0	39.0
	High	110.0	490.0	220.0	220.0	230.0

Table 18. Additional costs (savings) for the SFC from the Bill. All figures are in £,000 (cash terms).

Summary: costs on fundable bodies

226. Table 19 (below) summarises the costs (savings) for fundable bodies or post-16 education bodies from these provisions in the Bill.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Review of credit-based funding model	Low	-	-	-	-	-
	High	-	-	-	-	-
Engagement with trade unions, students and external partners	Low	2.7	2.7	2.8	2.8	2.9
	High	21.0	22.0	22.0	23.0	23.0
Proactive publication	Low	4.5	-	-	-	-
	High	79.0	-	-	-	-
Independent examination	Low	0.5	0.5	0.6	0.6	0.6
	High	11.0	11.0	11.0	11.0	11.0
Information sharing to support widening access	Low	30.0	-	-	-	-
	High	60.0	62.0	63.0	64.0	65.0
Total	Low	38.0	3.3	3.3	3.4	3.5
	High	170.0	94.0	96.0	98.0	100.0

Table 19. Additional costs (savings) for the fundable bodies or post-16 education bodies from the new duties in the Bill as amended. All figures are in £,000 (cash terms).

PART 2: GOVERNANCE OF THE COUNCIL

Outline of Bill provisions

227. This Part of the Bill makes provision for changes to governance of the Council. The legislation provides for appointment to the Scottish Funding Council itself, but those members are commonly referred to as the SFC Board, including by the SFC.

Members' term of appointment

228. Under the 2005 Act, the Scottish Ministers can appoint Council members for an initial appointment period of up to four years. But reappointments are limited to one single further period not exceeding four years. Section 14 of the Bill amends paragraph 2 of schedule 1 to the 2005 Act to remove the limitation of a single second appointment term and allow Ministers to reappoint a member for a number of shorter periods, should that be appropriate. Duration will continue to be limited to the maximum period of appointment set by the Ethical Standards Commissioner's Code of Practice on Ministerial Appointments to Public Bodies, which is currently eight years.

Members' skills and experience

229. Under the 2005 Act, the Scottish Ministers must have regard to the desirability of appointing Council members who have experience of, and shown capacity in, a range of matters, including the provision of further and higher education. Section 15 of the Bill amends paragraph 3 of schedule 1 of the 2005 Act to expand the range of potentially relevant skills and experience of Council members to cover Scottish apprenticeships and work-based learning.

Conflicts of interest

230. A significant number of Council members are actively employed or engaged in the college or university sectors, potentially creating conflicts of interest. Amendments to paragraph 3 of schedule 1 of the 2005 Act, made by section 15 of the Bill, signify a shift away from an emphasis on appointing Council members who are actively employed or engaged in the college or university sectors, whilst retaining flexibility to ensure relevant expertise.

Co-opted members

231. Section 16 inserts new provision paragraph 2A into schedule 1 of the 2005 Act. This gives the SFC the power to co-opt members (subject to the approval of the Scottish Ministers) in order to access particular expertise, where appropriate.

Apprenticeship committee

232. At present, SDS, the Scottish Apprenticeship Advisory Board, the Standards and Frameworks Group and the Apprenticeships Approvals Group lead on apprenticeship definition, standards and delivery.

233. Section 17 of the Bill as introduced inserts a new paragraph 12A in schedule 1 of the 2005 Act to place the SFC under a duty to establish and maintain a new apprenticeship committee, which it is expected will take on some of the functions and responsibilities of SAAB and other groups in

the current apprenticeships landscape. The Scottish Ministers will set the strategic policy outcomes as part of providing grant funding to the SFC.

234. Paragraph 12A(1A)³⁷ provides that the apprenticeship committee, in exercising its functions, may consult local authorities and have regard to their views.

235. Paragraph 12A(3)³⁸ requires the SFC, in appointing members to the apprenticeship committee, to consult persons who appear to the SFC to represent the interests of businesses in relevant industries.

Summary of costs

236. Table 20 (below) summarises the additional costs (savings) arising from Part 2 of the Bill.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Total costs (savings) from Part 2	Low	6	(130)	(130)	(130)	(130)
	High	12	72	72	75	74

Table 20. Additional costs (savings) arising from Part 2 of the Bill. All figures are in £,000 (cash terms).

Costs on the Scottish Administration

Appointment of Council members

237. The Scottish Ministers are responsible for appointing, and reappointing, the members of the Council. The 2005 Act requires that there be no less than 11 and no more than 14 members of the Council, in addition to the chief executive and chair. The maximum term for a Council member is eight years and this will not change under the Bill. The pattern of appointments and departures is not even across the years; six Council members are due to retire from the Council in 2026.

238. The Scottish Administration plans to run four appointment rounds (of new members) and four reappointment rounds (of existing members) over an eight year period under current arrangements. The significant cost in appointment and reappointment rounds is staff time. Appointments are much more resource intensive than reappointment rounds. The cost of an appointment round is estimated at £8,600 in Scottish Administration staff time and the cost of a reappointment round at £300.

239. The greater flexibility provided by changes made by the Bill in reappointment terms will have benefits in terms of the Council's management but it will not necessarily generate any cost savings. The low cost estimate assumes that there is no change to the pattern of appointment and reappointment rounds and therefore there is no additional cost. The high cost estimate assumes that there may be one additional appointment round and one additional reappointment round

³⁷ Amendment 182.

³⁸ Amendment 187.

required in the eight year period, perhaps to help transition the representation on the Council to reflect the SFC's new functions and duties.

Co-opted members

240. Section 16 of the Bill amends the 2005 Act to give the SFC the power to co-opt other members, subject to the approval of the Scottish Ministers. The costs to the SFC of doing this are set out later. There is a modest cost to the Scottish administration in considering approving SFC's proposal. The assumptions are set out at paragraph 244 below; the cost is estimated to range between £400 and £700 per year.

Summary

241. Table 21 (below) summarises the additional costs for the Scottish administration in the appointment and reappointment of members of the Council and in considering requests from the SFC with regard to co-opting members; the eight year costs are annualised.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Appointment and reappointment of Council and co-opted members	Low	-	0.410	0.410	0.420	0.430
	High	-	5.700	5.800	5.900	6.100

Table 21. Additional costs (savings) for the Scottish Government in the appointment and reappointment of members of the Council and considering the SFC's request to co-opt members. All figures are in £,000 (cash terms).

Costs on local authorities

242. There are no costs to local authorities.

Costs on other bodies, individuals and businesses

Appointment of Council members

243. The SFC, as well as the Scottish administration, play a role in, and incur costs in respect of, appointment of Council members. In particular, the chair of the SFC is involved in critical points of the recruitment process, including interviews, and senior staff are involved at other stages, including advertising and onboarding. The cost of an appointment round is estimated at £12,000 in SFC chair and staff time, primarily due to the need to provide a comprehensive induction, and the cost of a reappointment round at £400. (These costs are additional to the costs incurred by the Scottish administration).

Co-opted members

244. Section 16 of the Bill amends the 2005 Act to give the SFC the power to co-opt other members, subject to the approval of the Scottish Ministers. There may be up to two co-opted members at any given time. There are recruitment costs and remuneration costs in respect of co-opted members.

245. The recruitment costs include preparing the business case for the Scottish Ministers and time spent on the induction of the co-opted member. The induction for a co-opted member does not need to be as comprehensive as for a full member; it is expected that it would be focused on matters related to their field of expertise and in relation to which they were expected to advise or challenge the Council. The recruitment cost is estimated at £2,500 in SFC staff time.

246. This Financial Memorandum assumes that co-opted members would be remunerated at the same day rate as members appointed by the Scottish Ministers. The day rate for Council members is currently £360 (approaching the Tier 1 maximum for public appointments). The Council has six regular meetings each year; in 2024, there were two further ad hoc meetings.

247. For the lower cost estimate, the Scottish Government has assumed that: there is one co-opted member in post around half the time, on average; they are required to work eight days per year; and that there is one co-opted member appointment each year. Under this assumption, there might be a co-opted member appointed for six months of one year and then a gap of six months before another was appointed.

248. For the higher cost estimate, the Scottish Government has assumed that: there are two co-opted members in post at all times; they are each required to work 16 days per year; and that there are two co-opted member appointments each year. Under this assumption, the SFC is making full use of the powers in the Bill.

Apprenticeship committee

249. The SFC has two statutory committees under the 2005 Act: a skills committee, known as the Skills, Enhancement, Access and Learning (SEAL) Committee, established under paragraph 11 of schedule 1; and a research committee established under paragraph 12 of schedule 1. Paragraph 13 gives the SFC powers to establish other committees for any purposes relating to its functions. Four further committees have been established covering: finance; audit and risk; capital; and remuneration.

250. Changes made by section 17 of the Bill require the SFC to establish an apprenticeship committee. In terms of estimating the cost of establishing and operating this new committee, the skills committee provides a model. The skills committee currently comprises 12 members, six of whom are also Council members and six of whom are external. All six of the external members of the skills committee are in paid employment and do not receive further remuneration from the SFC. The skills committee meets four times each year. All committee members can claim travel expenses for attending committee meetings. Amendments made to the Bill at Stage 2 add a consultation power for the apprenticeship committee and a consultation duty on the SFC.

251. The costs are based on the apprenticeship committee having twelve members, each of whom are appointed for a period of three years and can be reappointed for one further period of three years.

Operating costs

252. The SFC staff costs in supporting meetings are estimated to be around 24 hours across various grades per meeting. The low cost estimate for travel expenses is around £170 per annum

based on current committee average costs; and the higher cost estimate is around £5,000 based on one year of Council expenses.

253. It is assumed that Council members will be paid at their Council day rate for the same number of days work as external members. Remuneration for Council members is capped at around £13.2k per annum.

254. New paragraph 12A(1A) of schedule 1 of the 2005 Act provides that the apprenticeship committee, in exercising its functions, may consult local authorities and have regard to their views. It is assumed that, when the committee exercises this power, it will require more committee time (and associated support from SFC staff) to consult and consider the views of local authorities.

255. The lower cost estimate is derived from assuming the apprenticeship committee meets four times per year and requires eight days work per year from each member. The lower cost estimate additionally assumes one consultation with local authorities per year and that this would require an extra 0.5 days work by the apprenticeship committee. The lower cost estimate assumes that no external members receive remuneration and that no Council members receive any additional remuneration because they are already receiving their maximum remuneration per annum. The lower cost is estimated at around £6,000 per year, comprising SFC staff costs and travel expenses only.

256. The higher cost estimate is derived from assuming: the apprenticeship committee meets six times per year and requires 12 days work per year. It assumes that Council members do require remuneration for their time in relation to apprenticeship committee work. It assumes that there are three external committee members, and that these members do require remuneration at the maximum of the Tier 2 public bodies pay scale of £278 per day (although note that no external members of the skills committee receive remuneration). The higher cost estimate additionally assumes two consultations with local authorities per year and that this would require an extra 1.0 days work per consultation by the apprenticeship committee. The higher cost is estimated at around £42,000 per year.

Recruitment costs

257. The recruitment costs are based on the SFC running three appointment rounds over a six year period. The most significant cost is SFC staff time. The cost of an appointment round is estimated at £5,400 in SFC staff time.

258. The lower cost estimate assumes that there are six external members and the higher cost estimate assumes that there are nine. The lower cost is estimated at £5,400 per year and assumes there are no external recruitment costs, i.e. no need to advertise. The higher cost is estimated at £6,100 per year and also includes an estimated cost of £500 per external member for advertising the post.

259. Paragraph 12A(3) of schedule 1 of the 2005 Act requires the SFC, in appointing members to the apprenticeship committee, to consult persons who appear to the SFC to represent the interests of businesses in relevant industries. It is assumed that the principal cost of consulting the interests of businesses in relevant industries would derive from additional SFC staff time. It is assumed that this consultation would happen every alternate year, in line with apprenticeship

committee appointment rounds. The lower cost estimate assumes ten hours of additional staff time spread across grades and the higher cost estimate assumes 22 hours of additional staff time spread across grades. These costs of approximately £800 (lower cost) or £1.6k (higher cost) every alternate year are additional to the costs set out above.

260. The apprenticeship committee would need to be established in 2026-27, with all external members recruited in that year. For this purpose, the Scottish Government has assumed an additional appointment round over and above the regular pattern, generating additional one-off costs ranging from £6k to £11k.

Subcommittees of the apprenticeship committee

261. The SFC has recently advised that it would intend to put in place two subcommittees to report the apprenticeship committee on matters relating to standard and frameworks and apprenticeship approvals, mirroring current arrangements under SAAB. The sub-committees are not required by the Bill. The costs of recruiting to, and operating, these subcommittees are not included in this revised Financial Memorandum; it would be reasonable to assume that they would be similar to the current cost to SDS in managing them.

Summary: costs on the SFC

262. Table 22 (below) summarises the additional costs (savings) for the SFC in appointment and reappointment of Council members, co-opting members and in the establishment and operation of the apprenticeship committee.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Appointment and reappointment of Council members	Low	-	-	-	-	-
	High	-	6.7	6.8	7.0	7.1
Co-opted members	Low	-	4.3	4.4	4.5	4.6
	High	-	18.0	18.4	18.8	19.1
Establishment and operation of the apprenticeship committee (including consultation)	Low	6.1	18.2	18.0	19.1	18.5
	High	11.5	57.7	63.6	66.4	65.8
Total	Low	6.1	22.5	22.4	23.6	23.1
	High	11.5	82.5	88.8	92.1	92.0

Table 22. Additional costs (savings) for the SFC in appointment and reappointment of Council members, co-opting members and in the establishment and operation of the apprenticeship committee. All figures are in £,000 (cash terms).

Size of the SDS Board

263. As a consequence of the transfer of responsibility for NTPs and apprenticeships from SDS to the SFC, and noting that over half of the SDS budget (of c. £200 million per annum) will transfer to the SFC in support of this, the SDS Board might be smaller in future. At present, there are 16 members and the total cost of the Board in SDS's 2022-23 accounts was £162,000. The SFC can have no more than 16 members of its Council, including the chief executive and chairing member, under the terms of paragraph 2(1) of the 2005 Act. Given the transfer of a significant proportion

of SDS's responsibilities and budget to the SFC, it might be anticipated that the SDS Board could have fewer members in future. The lower cost estimate (greater saving) is derived from assuming that the Board has 12 members in future, whereas the higher cost estimate (lower saving) assumes the Board has 14 members. There is a marginal saving from reduced onboarding and induction costs for new Board members; there is no reason to assume any significant change to costs associated with appointment rounds.

264. The lower cost (saving) estimate is £(41,000) and the higher cost estimate is £(20,500); i.e. a lesser saving.

Offsetting savings from the apprenticeship committee

265. The precise functions of that committee are expected to evolve but it is anticipated that the apprenticeship committee will have a role in overseeing the preparation of Scottish apprenticeship frameworks.

266. This apprenticeship committee is expected to take on some of the functions and responsibilities of various of the bodies and groups in the current apprenticeships landscape, such as the Standards and Frameworks Group (SFG) and the Apprenticeships Approvals Group (AAG). Whilst the detail of this will be worked out through implementation, it is expected that some of the work currently undertaken by SDS to service these groups will be superseded by the work required to support the apprenticeship committee.

267. The lower cost estimate (a saving) is derived from assuming the full time equivalent of one senior member of staff is no longer required for this purpose. The higher cost estimate (nil saving) assumes that there is no scaling back of this work. Savings are expected to occur from the transfer date.

Summary: savings from SDS

268. Table 23 (below) summarises the savings from a scaled back SDS Board and in consequence of establishing the apprenticeship committee.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Remuneration of SDS Board members	Low	-	(45)	(46)	(47)	(48)
	High	-	(22)	(23)	(23)	(24)
Offsetting savings from establishing the apprenticeship committee.	Low	-	(100)	(110)	(110)	(110)
	High	-	-	-	-	-
Total	Low	-	(150)	(150)	(150)	(160)
	High	-	(22)	(23)	(23)	(24)

Table 23. Savings from operating with a smaller SDS Board and from the establishment and operation of the apprenticeship committee. All figures are in £,000 (cash terms).

PART 2A: TRANSITIONAL MEASURES

Outline of Bill provisions

269. Part 2A of the Bill makes provision for transitional measures.

Statement on financial implications

270. Section 17A of the Bill added at Stage 2³⁹ requires the Scottish Ministers to lay before the Scottish Parliament a statement on the financial implications of any transfer of functions arising from the Bill. The Bill itself does not transfer any functions, but it is assumed that this captures the new functions the Bill confers on the SFC for securing the delivery of national training programmes, work-based learning and Scottish apprenticeships.

Summary of costs

271. Table 24 (below) summarises the additional costs (savings) arising from Part 2A of the Bill.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Additional costs from new Part 2A.	Low	3.8	-	-	-	-
	High	5.7	-	-	-	-

Table 24. Additional costs (savings) arising from Part 2A of the Bill. All figures are in £,000 (cash terms).

Costs on the Scottish Administration

Statement on financial implications

272. The Scottish administration would anyway be estimating the costs of implementing the Bill, not least for budget purposes. Expenditure on implementation would also be tracked and reported. The Scottish Ministers have already committed to keep the Scottish Parliament updated with the costs of implementation. The additional cost arising from section 17A are those from developing and publishing a formal statement. For this purpose, we have estimated a low-cost of publication of £3k and a high cost of £4k, with a low cost assumption of 11 hours of staff time spread across grades and a high cost assumption of 24 hours. This cost of publication is based on the cost to the Scottish Government of publishing of similar documents. The exact cost depends on the document length, formatting and style.

273. After applying inflation, this gives a range of £3.8k to £5.7k for additional costs to the Scottish administration.

³⁹ Amendment 197.

Summary: costs on the Scottish Administration

274. Table 25 (below) summarises the additional costs for the Scottish administration in producing a statement on the financial implications of the Bill.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Statement on financial implications	Low	3.8	-	-	-	-
	High	5.7	-	-	-	-

Table 25. Additional costs (savings) for the Scottish Government in producing a statement on the financial implications of the Bill. All figures are in £,000 (cash terms).

Costs on local authorities

275. There are no costs on local authorities.

Costs on other bodies, individuals and businesses

276. There are no costs on other bodies, individuals and businesses.

PART 3: STUDENT SUPPORT

Outline of Bill provisions

277. Student support is a collective term that includes payment to cover the tuition fee costs of the course, bursary support, tuition fee loans (where relevant) and maintenance loans. While the Student Awards Agency Scotland (SAAS) is currently responsible for the administration of student support for students studying at higher education institutions, student support for those studying at further education institutions and those undertaking apprenticeships is currently administered via SFC and SDS.

278. A number of students undertake further and higher education courses run by approved private providers based in Scotland or in rUK; these are education providers that are not post-16 education bodies in terms of the 2005 Act.

279. Approximately 5,000 higher education students studying at private providers were funded by SAAS in 2023-24. This is around 3% of the students funded by SAAS. The number of students undertaking FE courses at private providers is not known; FE student support is administered locally by colleges using grants provided by SFC.

280. There are 21 private providers designated to provide full-time HE courses and a further 120 private providers have been designated to provide part-time HE courses. The majority of these arrangements were established prior to devolution. The practice of designation has evolved from the fact that these providers generally offered a type of provision that was not commonly delivered by publicly-funded colleges or universities. This has been mainly, but not exclusively, in respect of creative courses such as dance, musical theatre and drama.

Section 18 of the Bill (as amended at Stage 2) gives the Scottish Ministers a power to designate a private provider of further or higher education on application from that provider through a new section 74A inserted into the Education (Scotland) Act 1980 (“the 1980 Act”). The effect of such a designation is that the private provider may apply to the Scottish Ministers for particular courses of education it provides to be approved for the payment of allowances or loans by virtue of regulations made under section 73(f) of the 1980 Act. An equivalent designation elsewhere in the UK equates to automatic designation for a provider. The Bill puts existing custom and practice around private HE provider designation effected by SAAS onto a clearer legislative footing, with powers for the Scottish Ministers to set out the process of applying for designation and designating providers in regulations. Therefore, there are no new costs attributable to this provision.

281. New section 74A(4) in the 1980 Act also gives the Scottish Ministers a power (exercised by way of regulations) to charge private providers a fee to apply for designation to cover the cost of administering the processing of their application. This is a departure from current arrangements and would be a new cost, were a fee to be charged; costs and fees are estimated below.

282. Sections 19 and 20 of the Bill also widen the corresponding delegation and direction-making powers in the 1980 Act as a consequence and for consistency with existing powers in that Act. This would enable the Scottish Ministers to direct the SFC (or another body) to administer student support on their behalf, or transfer or delegate responsibility, in future.

Summary of costs

283. Table 26 (below) summarises the additional costs arising from Part 3 of the Bill.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Application for designation	Low	-	14	14	14	15
	High	-	32	33	34	34

Table 26. Additional costs arising from Part 3 of the Bill. All figures are in £,000 (cash terms).

Costs on the Scottish Administration

284. There are 21 private providers designated to provide full-time HE courses. These providers are subject to quality checks and inspections by Education Scotland. The costs of developing and piloting the inspection regime have been met by the Scottish Administration. The Education (Scotland) Act 2025 includes provision for these private providers to be charged for inspections.

285. Private providers of full-time HE courses will be required to reapply for designation every two years. Given the rigor of the inspection process and the fees that will be attached to it, the application process for designation will be straightforward and private providers of full-time HE courses will not be charged for applying. The cost of processing their application for designation is estimated to be £180 per application in staff time and this will be met by the Scottish Administration.

286. Table 27 (below) summarises the additional costs for the Scottish Administration in processing applications for designation. The low cost estimates are based on 10 applications per year which are straightforward to process (£180 each on average). The high cost estimates are the same, on the expectation that almost all cases will be straightforward.

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Application for designation	Low	-	2.0	2.0	2.0	2.1
	High	-	2.0	2.0	2.0	2.1

Table 27. Additional costs for the Scottish Administration in processing applications for designation. All figures are in £,000 (cash terms).

Costs on local authorities

287. There are no costs on local authorities, unless they are seeking designation to provide part-time HE courses. (There are two local authorities with departments designated as private providers at present.) In any such cases, the fee payable would likely be as set out at paragraph 290 below.

Costs on other bodies, individuals and businesses

288. There are 120 private providers designated to provide part-time HE courses. Given the relatively small scale of these operations, the inspection regime for full-time HE course providers would not be appropriate. Instead, a Designation Review Form is being rolled out with the intention that private providers reapply for designation at regular intervals (assumed to be every two years in this document).

289. As these providers will not be paying for any inspection by Education Scotland, it is proposed that they will pay the costs of processing their application for designation. The cost of processing their application for designation is estimated to average out at £180 per application in staff time if all the cases were straightforward and £460 if some of the cases were more complex. The fee charged per private provider of part-time HE courses will be a single flat rate estimated to be between £180 and £460 expected to be payable when the designation review form is submitted.

290. Table 28 (below) summarises the additional costs for private education providers in paying a fee to apply for designation. The low-cost estimates are based on 60 applications per year which are straightforward to process (£180 each on average) and the high cost estimates are based on the same number of applications varying in complexity and including some complex cases (£460 each on average).

Activity	Range	2026-27 £,000	2027-28 £,000	2028-29 £,000	2029-30 £,000	2030-31 £,000
Application for designation	Low	-	12.0	12.0	12.0	12.0
	High	-	30.0	31.0	32.0	32.0

Table 28. Additional costs for private education providers in applying for designation. All figures are in £,000 (cash terms).

291. There are no costs on other bodies, individuals or businesses.

GLOSSARY

292. In this Financial Memorandum:

- “the 1980 Act” means the Education (Scotland) Act 1980;
- “the 2005 Act” means the Further and Higher Education (Scotland) Act 2005;
- “the Bill” means the Bill as amended at Stage 2;
- “business as usual” means the continuation of current arrangements and planned changes, as if the plans for reform and the Bill did not exist, c.f. the reform trajectory defined below;
- “FE” means further education;
- “FSM” means free school meal;
- “FISSS” means the Federation for Industry Sector Skills and Standards;
- “fundable body” is defined at section 6 of the 2005 Act and means colleges, higher education institutions and regional strategic bodies;
- “gross staff costs” means the total cost of employing staff including salary, employer NI and pension contributions;
- “HE” means higher education;
- “independent training provider” means a training provider other than a higher education institute or college;
- “NTP(s)” means National Training Programme(s) which are programmes of training for employment in the Bill;
- “post-16 education body” is defined at section 35 of the 2005 Act and means colleges, assigned colleges and higher education institutions;
- “the reform trajectory” means the arrangements at any given point in time (before or after the transfer date) as the plans for reform and the Bill progress, c.f. business as usual defined above;
- “SAAS” means the Student Awards Agency Scotland;
- “SCP” means the Scottish Child Payment;
- “the SFC” means the Scottish Further and Higher Education Funding Council, established by the 2005 Act;
- “SDS” means Skills Development Scotland Ltd;
- “the transfer date” means the day on which responsibilities move from SDS to the SFC in respect of NTP and apprenticeship functions and is assumed for the purposes of this Financial Memorandum to be 1 April 2027.

*This document relates to the Tertiary Education and Training (Funding and Governance)
(Scotland) Bill as amended at Stage 2 (SP Bill 57A)*

TERTIARY EDUCATION AND TRAINING (FUNDING AND GOVERNANCE) (SCOTLAND) BILL

FINANCIAL MEMORANDUM

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