



The Scottish Parliament
Pàrlamaid na h-Alba

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Dear John,

Scottish Government's Draft Budget 2018-19

Thank you for giving evidence to the Committee on the Scottish Government's draft budget on 20 December 2017. Having reviewed the evidence, the Committee agreed to write to you to pursue some issues covered in the session. The Committee has also provided a copy of this letter to the Finance and Constitution Committee to aid its wider scrutiny of the draft budget.

Approach to scrutiny

As you are aware, in its letter dated [5 October 2017](#), the Committee:

- recommended that additional support for learning should be a funding priority for the 2018-19 budget;
- requested details of how the impact of the allocation of attainment funding, including the Pupil Equity Fund, is being assessed to inform future funding allocations; and
- sought the Government's broader perspective on: the priorities for funding provision; preventative spending; value for money; evaluation and outcomes; and climate change.

The Committee provided stakeholders with the opportunity to comment on the priorities in your response dated [8 November 2017](#). [Eleven submissions](#) were received. The Committee will circulate this letter to all those who made submissions and is grateful to all stakeholders who informed scrutiny of the draft budget.

The Committee was very concerned by the inadequate amount of time available in the parliamentary timetable again this year to scrutinise the Scottish Government's draft budget. In addition, as you will be aware, the majority of funding for school education (including early learning and childcare) is provided through the local government block grant. For this reason, it has not been possible for the Committee to determine how much local authorities intend to allocate to school spending at this stage in the process. This prevents the Committee from being able to measure spending and outcomes effectively.

Budget overview

The largest element of local government spending is school education. The Committee notes that overall the income from the General Revenue Grant and Non Domestic Rates has reduced for local authorities by 0.5% (-£49.1m) in cash terms, or 2% (-£183.7m) in real terms between 2017-18 and 2018-19. When Specific Revenue Grants are taken into account, there is a small (£3.2m or 0.03%) increase in cash terms in total revenue funding for 2018-19 compared to 2017-18 levels. In real terms, this results in a reduction of 1.4% (-£135.2m).¹

The 2018-19 draft budget features a number of ring-fenced funding initiatives designed to meet specific policy objectives. The local authority budget includes specific grants for the following:

- Pupil Equity Fund (£120m)
- Early learning and childcare expansion (£202m)
- Gaelic (£4m)

The draft budget also includes:

- £88m to support a pupil teacher ratio of 13.7 and provide placements for probationers
- £24m to support the teacher pay deal for 2017-18

Additional support needs

The draft budget includes £10m which the Committee understands could be allocated to charities that support young people with additional support needs. Given the evidence the Committee received in 2017 on the need for additional resources for additional support for learning, this new funding is to be welcomed. The Committee was unclear during your evidence session about the specific purpose of the £10m or how it will be allocated. The Committee would welcome further information when this is available.

¹ <https://digitalpublications.parliament.scot/ResearchBriefings/Report/2017/12/18/Local-Government-Finance--Draft-Budget-2018-19-and-provisional-allocations-to-local-authorities#Local-government-budget-breakdown>

As you know, the Committee has scrutinised the support available for those with additional support needs during a short inquiry and during a number of evidence sessions on school education in 2016 and 2017. Themes of evidence have been: the provision of sufficient resources to provide appropriate support; the variation in the recorded incidence of additional support needs across different local authorities; and the increased levels of recognised additional support needs (following a broadening of the definition and changes in recording practices).

Submissions on the budget provided detail on concerns from stakeholder groups about adequate resources for additional support for learning (see EiS, NASUWT, SEAS, Enable Scotland and the Children and Young People's Commissioner Scotland for example). This evidence largely reflects the evidence on resources submitted to the Committee's inquiry.

The Government has made commitments following the Committee's inquiry including announcing qualitative work to assess the experiences of children, young people and parents seeking support under ASL legislation. The Committee appreciates this undertaking and would also wish to see more progress in response to its other recommendations.

For example, the Committee reiterates its view that a financial review of what funding local authorities are currently providing to support those with additional support needs would be beneficial to inform both future Government and local authority funding allocations for this policy (recommendation 17 of its report).

In addition, the Committee continues to believe that the starting point for assessing how to effectively resource additional support for learning is accurate data on the prevalence of additional support needs across all local authorities (recommendations 15 and 16).

The Committee appreciates the figures you provided on increasing numbers of young people with additional support needs achieving positive destinations but would seek a specific definition of what you consider to be a positive destination. The Committee also seeks an acknowledgement that if the baseline data on the incidence of additional support needs is inconsistent across authorities then it is not possible to be definitive as to the proportion of young people with additional support needs who achieve positive destinations.

The Committee notes that there is no ring-fenced funding allocated to local authorities in relation to additional support for learning. The effective implementation of additional support for learning policy is reliant on effective funding, hence the Committee highlighted ASL as a funding priority in its inquiry and in its letter on the 2018/9 budget in October.

The Committee wishes to highlight the Scottish Children's Services Coalition recommendation that a dedicated additional support needs attainment fund for local authorities should be set up. Given the Government has increased the total amount of ring-fenced funding for local authorities in this draft budget, the Committee believes that ring-fencing should be considered for ASL.

Attainment funding

The Committee explored with you how the Government will assess whether interventions using pupil equity funding, or attainment challenge funding, will achieve the aim of reducing the attainment gap (see [Save the Children](#)'s submission). In particular, the Committee was keen to understand how you will assess whether it is used to fund new initiatives aimed at reducing the attainment gap, as opposed to being used as a new funding stream for existing functions within schools. The Committee also sought to understand how you will use the learning and evaluation from the way funds have been used so far to inform future funding allocations.

You noted in your evidence that there will be a range of possible interventions that will be effective in closing the gap and, as such, you told the Committee that you do not support a prescriptive approach to the use of pupil equity funding. The Committee understands that the outcome of interventions will be assessable at a later stage with reference to young people's performance under Curriculum for Excellence and the Scottish Government's monitoring framework for closing the gap. The Committee understands that the 'stretch aims' set out in the National Performance Framework may form part of this monitoring framework.

As the consultation on the proposed monitoring framework ended in late November the Committee was not able to gain a complete picture of the evaluation model for this policy. The Committee will revisit this in the future. At this stage, the Committee would appreciate details of the timeline the Scottish Government is following towards closing the attainment gap, including timescales for assessment of the impact of the initial rounds of attainment funding, including PEF.

The Committee explored the ways in which the Scottish Government intends to monitor the use of pupil equity funding to ensure it is used in accordance with the principle of additionality. Examples were raised in evidence of new initiatives and posts created as a direct result of Pupil Equity Funding; however the Committee is also aware of reports of Pupil Equity Funding being used for existing services. In this regard, you noted that you have previously intervened where you consider it is not being used as intended and would continue to do so.

Evidence suggests that there is a mixed pattern across the country in relation to PEF allocation. The Committee considers its inability to scrutinise this matter due to the absence of detailed statistics on the allocation of PEF funding in the 2018-19 highlights the limitations of this budget process. The Committee is in a position where it cannot identify the extent to which PEF funding could be being used to replace previous funding.

In relation to the Pupil Equity Fund having a sustained impact over the longer term, members questioned the extent to which staff are employed in PEF posts on a temporary basis. The Committee seeks information from the Government on the number of staff that are employed on temporary contracts from the 666 additional full-time equivalent staff that have been recruited using attainment funding.

The Committee also raised with you issues with the effectiveness of using registration figures for free school meals as the sole means to assess eligibility for pupil equity funding. In particular, the Committee is aware that registrations for free

school meals in some rural areas are lower than expected. The Committee also understands that 5% of schools do not receive PEF funding at present. The Committee welcomes your commitment to consider how PEF eligibility can be assessed more effectively, with particular reference to rural and remote areas, to ensure the funding reaches all the pupils and areas where it is needed.

Teacher numbers

A number of members raised with you the negative impact on education in schools where there are teacher shortages. The Committee notes the amount of work underway to seek to address shortages, including by the General Teaching Council for Scotland. The Committee also notes that a number of measures supported or pursued by the Government recently reflect the recommendations made by the Committee in its workforce planning inquiry. For example in relation to pay, including changes to the terms of supply teacher pay (paragraph 161 of the [report](#)).

During the evidence session you made a number of further commitments in relation to improving recruitment levels. Specifically the Committee welcomes your statement that you are open to considering possibilities for expanding the use of bursary initiatives for career switchers beyond STEM subjects to seek to ensure those seeking to specialise in other subjects do not face prohibitive financial barriers to retraining. The Committee also notes your commitment to consider how unclaimed financial incentives to grow the teaching profession can be reallocated. For example looking at whether clawing back unclaimed resources from university PGDE courses when they are undersubscribed could be used to support part time study opportunities such as on the DLITE programme which is currently experiencing high levels of demand.

The Committee shares the concerns over teacher shortages, including the impact on education and the pressure on the workforce. The Committee would highlight again the recommendations in its [report](#) on teacher retention, including exploring further means of reducing workload. The Committee requests regular updates on progress with all initiatives to address shortages, including where announced initiatives are not pursued or do not deliver intended outcomes.

Education reforms

The draft budget includes an additional £4m in relation to the Government's education reforms. The Committee appreciates that, as the consultation on reforms is still open, the detail as to how that money will be allocated is not yet available. However the Committee seeks clarity at this stage as to whether the intention is for regional improvement collaboratives to have an annual budget that can be scrutinised by Parliament.

The Committee gave consideration to the cash and real terms change in budget for organisations in the education and skills portfolio, as highlighted in the table below, including noting a reduction in funding for Education Scotland.

Table 1: Cash and real terms change in budget for organisations in education portfolio £m²

Organisation	Cash Terms			Real Terms (2017/18 prices)		
	2017/18	2018/19	% change	2018/19 in 2017/18 prices	change from 17/18	% change
SQA	£24.30	£24.20	0	£23.85	-£0.45	-1.86%
Education Scotland	£21.44	£20.44	-4.70%	£20.15	-£1.30	-6.05%
Scottish Funding Council	£1,734.85	£1,838.00	5.90%	£1,811.23	£76.39	4.40%
Student Awards Agency for Scotland (operating costs)	£11.58	£12.08	4.30%	£11.91	£0.32	2.80%
Skills Development Scotland	£176.60	£193.30	7.60%	£190.48	£13.88	7.86%
Children's Hearings Scotland	£3.75	£3.92	4.50%	£3.86	£0.11	2.99%
Scottish Children's Reporter Administration (resource)	£23.30	£23.80	2.10%	£23.45	£0.15	0.66%
Scottish Social Services Council (resource)	£15.72	£15.72	0	£15.50	-£0.23	-1.46%
Disclosure Scotland	£5.32	£14.85	179.1% ³	£14.63	£9.31	175.00%
Bord Na Gaidhlig	£5.10	£5.10	0	£5.03	-£0.07	-1.46%

This is of interest to the Committee given the extent to which Education Scotland's role will be required to change and expand under the Government's proposed education reforms.

Education Scotland's annual accounts for 2016/17 show overall expenditure for the year was £35.7m compared to a total budget of £36.1m. The total budget allocated at the start of the year was £23.3m and a further £12.7m of budget was transferred from the Scottish Government during the year to fund work, which did not form part of the core work remit. The final budget for 2016-17 was £36.1m. Scottish Government autumn budget revisions in September 2017 show a budget for 2017/18 of £28.2m. (Source: SPICe briefing for the 20 December [meeting papers](#)).

During the session with Education Scotland on 13 December the extent that the organisation's overall funding for 2017/8 had resulted from in-year transfers was raised. When asked whether, for long term planning purposes, it would be more helpful to be allocated more funding at the start of the financial year, Gayle Gorman, Chief Executive of Education Scotland, responded "Certainly, it would be good to have some clarity and surety around long-term funding and how that can be planned for, so that if there is a change in an organisation, we can strategically plan and cover those activities."⁴

² Real terms calculated using HM Treasury Deflators published 3rd January 2018. <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-december-2017-quarterly-national-accounts>

³ The increase relates to a replacement IT system.

⁴ Education and Skills Committee, [Official Report](#), 13 December 2017, Col 37.

Given the changes required of Education Scotland, and the extent to which (according to the most recent staff survey) the organisation struggles to manage change, the Committee would seek clarity as to why funding for Education Scotland is not higher at the start of the financial year. The Committee invites you to recognise the benefits of providing a larger proportion of Education Scotland's funding at the start of the financial year to aid planning processes.

School building

The Committee notes that the Schools for the Future Programme will come to an end in 3 years' time meaning that a budget line of £23m in 2017-18 is zero for 2018-19. You explained that as a result of the programme, 86 per cent of schools are now rated as being in good or satisfactory condition with 14 per cent of schools classed as being in poor or bad condition. The Committee understands that you intend to announce plans for a replacement programme in 2018. Given planning timescales for local authorities, the Committee is concerned that there may be a hiatus in investment in projects to improve the school estate in some areas, as authorities await details of the new scheme. The Committee would therefore encourage the Government to ensure that the gap between schemes is as brief as is practicable.

Climate change

Colleges Scotland called for a strategic approach to capital investment in its written submission to the Committee, which it believes will have the added benefit of contributing to the realisation of the Scottish Government's climate change targets. The Committee draws your attention to the specific points made by [Colleges Scotland](#).

Other issues

The Committee notes that you made two other undertakings in response to lines of questioning on 20 December:

- to review the procurement guidance for pupil equity funding in light of the individual case raised by Ruth Maguire MSP; and
- to assess whether the draft budget for early years and childcare has been calculated on the basis that teachers will be involved in the provision of this care and to confirm to the Committee what proportion of teachers compared to childcare professionals has been assumed.

The Committee thanks you for these and the other commitments made during the evidence session.

The Committee would appreciate a response to the points made in this letter by 13 February.

Yours sincerely,



James Dornan MSP
Convener