

Simplification of the post-school funding body landscape

Outline Business Case



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1. Executive Summary

1.1 Introduction

This project represents the first step in the ten-year programme of reform and continuous improvement of Scotland's post-school education and skills system. It is an enabling project – necessary to strengthen the foundations from which we can build a flexible, agile and responsive post-school education, skills and research system that is vital to meet Scotland's changing needs.

This is about building on the best of what we have today. Essential to future success will be breaking down the artificial silos between further and higher education and academic and vocational skills to ensure that Scotland has a diverse post-school education, skills and research system that delivers what people and employers need, when they need it. A system that is fair, accessible and easy to navigate.

Scotland's education and skills system is going to have to serve people continuously throughout their lives as technology, demographics, changes to the world of work and the transition to net zero transform the way we live and work, and bring new opportunities for Scotland's economy.

The public bodies landscape that serves and supports that system must be right for the task at hand. That means ensuring that roles and responsibilities are clear; that useful data can be captured and shared to measure performance and continuously improve; and the right culture of collaboration between government, public bodies, institutions, private and third sector providers, employers and learners is in place.

This Outline Business Case (OBC), developed in partnership with professional, Scottish Government analysts and economists and in alignment with HMT Green Book principles, provides the rationale and justification, as well as an appraisal of options for proceeding with simplification of the post-school funding body landscape in Scotland ("the Project") as the first, enabling step in delivering that change.

Following the standard five case model approach, the scope of this OBC is to provide a case for change for the Project (Strategic Case), appraise options to deliver simplification, considering both quantifiable and unquantifiable costs and benefits (Socio-economic and Financial Cases), as well as set out initial plans and considerations for how to manage the delivery of the next phase of development in the transformation (Commercial and Management Cases).

This OBC is part of the evidence that will be used by Scottish Ministers to decide on the future shape of the post-school funding body landscape. Further detailed development work to progress implementation of Ministers' preferred option will be required. This will be taken forward in partnership with affected public bodies. Parts of the analysis set out in this OBC will be refined and updated as more detailed implementation plans are developed.

1.2 Strategic Case

The Strategic Case sets out the strategic context and makes the case for change, demonstrating how the Project provides strategic fit, considering risks, constraints and dependencies.

1.2.1 Strategic context

The Independent Review of the Skills Delivery Landscape¹ and the Purpose and Principles for post-school Education, Research and Skills² published in 2023 identified a range of issues with the current post-school funding body landscape. These included complexity of the landscape, funding streams and funding models, as well as lack of clarity on roles and responsibilities of each funding body.

The current funding system was described in the Diversity of Provision Report³, published alongside the Purpose and Principles.

As part of the Independent Review of the Skills Delivery Landscape that was published in June 2023, it was recommended that:

“Scottish Ministers should identify and establish a single national funding body to have responsibility for administering and overseeing the delivery of all publicly funded post-school learning and training provision. This would bring together the responsibility for funding of apprenticeships and training currently remaining in Skills Development Scotland with the functions for dispensing funding to colleges and universities currently carried out by the Scottish Funding Council. Ministers should consider whether this new body should also include responsibilities currently undertaken by the Students Awards Agency for Scotland, which sat outside the remit of this Review.”

During the same timeframe, the Scottish Government published the Purpose and Principles in June 2023. This was developed in response to the Scottish Funding Council (SFC) Review of Coherent Provision and Sustainability, in which it was recommended that the Scottish Government "sets out more clearly its overall strategic intent for tertiary education and research.”

The Scottish Government accepted the SFC’s recommendation but broadened the scope to include skills, work based learning and upskilling and reskilling – recognising that any distinction between these systems was artificial. That led to the development of the Purpose and Principles, for the post-school education, research and skills landscape; recognising this was a system broader than tertiary education and research.

¹ [Fit for the Future: developing a post-school learning system to fuel economic transformation - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fit-for-the-future/developing-a-post-school-learning-system-to-fuel-economic-transformation-2023/pages/1-1-introduction-to-the-report/)

² [Supporting documents - Post-school education, research and skills - purpose and principles - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/supporting-documents-post-school-education-research-and-skills-purpose-and-principles-2023/pages/1-1-introduction-to-the-report/)

³ [Diversity of Provision \(www.gov.scot\)](https://www.gov.scot/publications/diversity-of-provision/pages/1-1-introduction-to-the-report/)

Accepting the premise of James Withers' recommendation, and the Purpose and Principles Initial Priorities⁴, Scottish Ministers committed to:

"...investigate the options to deliver a single funding body, including tuition and living cost support, paying regard to issues such as the status and scope of the body's responsibilities".

The final Purpose and Principles, as published in June 2023, serves to provide a constant in times of change and a clear set of ambitions to work towards as Scottish Government re-imagines and reforms the system. They act as a framework that sets the policy direction and shapes delivery priorities.

The aim of the Project, to simplify the post-school funding body landscape in Scotland, presents an opportunity to make progress with an important, enabling workstream within the overarching reform and continuous improvement of Scotland's Education and Skills system.

The [Programme for Government 2024-25: Serving Scotland](#) committed to bringing forward a Bill to:

"Reform the education and skills funding system so it is easier to navigate and responsive to learners and skills priorities – breaking down silos and reducing bureaucracy"

The options were subject to consideration as part of this Project and were also the subject of a public consultation between June and September 2024. The consultation analysis alongside this OBC will form the evidence base for Ministerial decisions on the preferred way forward.

In addition to delivering against the specific Project objectives, the changes stemming from the Project will contribute to the National Outcomes in the National Performance Framework in the following ways:

- **Education: We are well educated, skilled and able to contribute to society**
 - Enables targeted and equitable distribution of funding that places children, young people and adult learners at the core.
 - Less investment goes on administering the system, duplication is reduced, the quality of data is enhanced which enables more informed decision making and supports a national approach to skills planning.
- **Economy: We have a globally competitive, entrepreneurial, inclusive and sustainable economy**
 - Improved quality and availability of data supporting national and regional skills planning.
 - More flexible models of funding are enabled within a streamlined system.
 - Clear responsibility for funding innovation, research and knowledge exchange within institutions, underpinning Scotland's globally competitive economy.
- **Fair Work and Business: We have thriving and innovative businesses, with quality jobs and fair work for everyone**
 - The way that funding flows through the system is clear; there is confidence across Scotland's economy that the system delivers and clarity on the return on investment.

⁴ [Post-school education, research and skills - initial priorities \(www.gov.scot\)](https://www.gov.scot)

- **International: We are open, connected and make a positive contribution internationally**
 - Maintaining Scotland's internationally renowned research base.
- **Poverty: We tackle poverty by sharing opportunities, wealth and power more equally**
 - Simplifying the funding body landscape, clarifying roles and responsibilities and removing duplication will enable more innovative and person-centred approaches to student support to be developed and delivered. This will enable learners, no matter their background, to access support to take up learning opportunities enhancing their career and life prospects.

Over time, the changes to the post-school funding landscape, along with other public services, will make a direct and significant contribution to several of the National Outcomes and to Scotland's National Strategy for Economic Transformation (NSET).

1.2.2 Case for Change

The strategic case establishes a case for change by, investigating the current funding system and gathering evidence of challenges in the funding landscape to develop spending objectives, as well as to identify the scope and business needs for the Project. This has been informed by evidence gathering of current system challenges and reviewing those against the outcomes contained in the Purpose and Principles logic models.

As part of the evidence gathering exercise for the Purpose and Principles of post-school reform, several challenges and opportunities were identified in relation to the funding landscape. These are summarised in the problem statement below.

Problem Statement – The current system lacks a coherent vision, shared values and a common purpose. It features complexity and confusion around overlapping roles, functions and funding models between and across government and agencies, alongside a lack of collaboration, trust and flexibility that would allow the system to deliver better outcomes. There is a lack of a comparable system-wide evidence base and regulatory framework which can describe the current successes and challenges, the desired outcomes and metrics and allow for accountability and assurance.

This problem statement supported the development a Project level logic model as well as spending objectives, which are set out below:

1. **To simplify operational responsibility across the post-school funding body landscape** – ensuring fairness, transparency and maximising value for public investment.
2. **To reduce costs and increase efficiencies in the operation of the system** – enabling more of the investment made by the Scottish Government to flow directly to learners and employers by reducing the costs of administering the system.
3. **To improve availability and quality of data collection to inform investment decisions, skills planning priorities and careers advice** - ensuring the system is more responsive to the needs of learners, employers, the economy and society.
4. **To enable targeted and equitable distribution of funding to support the learner** - ensuring that people, at every stage in life, have the opportunity and

means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.

This clarification of the problem and objectives for the Project supported the identification of a number of business needs that would have to be met in order for the Project to deliver the above objectives as well as the short, medium and long-term outcomes set out in the logic model.

These are:

1. The need for a more coherent vision, shared values and common purpose to avoid confusion for learners and employers.
2. The need to remove overlapping roles, functions and responsibilities, minimising duplication and maximising public value.
3. The need to address the lack of comparable system-wide data and evidence leading to difficulty in understanding the social and economic value of investment and making it challenging to plan for the future needs of Scotland's economy and society.
4. The need to address the lack of system-wide measures of success, supporting enhanced accountability and assurance.

A scope was then developed for the Project to set out minimum requirements for addressing these business needs. This included all areas of overlap in funding responsibility in the existing system within Scottish Ministers span of control and set out that responsibility for all provision funding (Further and Higher Education, Apprenticeships and all other national training programmes) should be in one body and responsibility for all student support (HE and FE) in one body.

Funding for research was considered out of scope as the SFC is the sole body with responsibility in this area and as a result of the additional complexity of the dual support system for research across the UK.

1.2.3 Benefits

When the implementation and transition phase of the Project is complete, (from target implementation date autumn 2026/27), the following benefits should begin to be realised:

- A simplified post-school funding body landscape – resulting in fewer bodies with overlapping roles and responsibilities across the system.
- A post-school funding system that is more coherent and focused on the needs of learners and employers.
- A post-school funding system that is supported by modern, efficient, secure systems.
- Established effective relationships with stakeholders across the system to achieve the desired outcomes.

There is also an expectation that the Project will deliver efficiencies in future years that go some way to offsetting the cost of transition and the increased cost of delivery of options in future years. As detailed design work to deliver a preferred option has not yet taken place it has not been possible to quantify these benefits at this time.

Similarly, further efficiencies and benefits are likely to result through changes to delivery from other projects that are part of the Reform programme, for example, apprenticeship policy and the implementation of a new national approach to skills planning. As these projects are outwith scope of this Project and at a different stage in their development, the likely benefits from these changes cannot be quantified at this time.

1.2.4 Strategic Risks, Constraints and Dependencies

The main risks associated with delivering the Project are:

- Ensuring that there is a positive and collaborative culture in place to develop and successfully deliver the new structures that will be required in a simplified landscape.
- Ensuring effective communication, engagement and partnership working with public bodies leadership, staff, trade unions and stakeholders.
- The challenging financial climate and the need to build a persuasive, well evidenced case for change and plan for implementation to secure the budget to meet transformation costs.
- The need to ensure that appropriate levels of workforce and resources are in place to lead and manage development and delivery of implementation plans before beginning to implement change.

The constraints identified as part of the Project relate to:

- Availability of funding to deliver this change.
- Resourcing pressures to take this work forward, given limitations on recruitment.
- Willingness of public sector partners to fully participate in development and delivery of a reformed funding body landscape.

In addition to these factors, there were some pre-set parameters that were also Project constraints. The Project had to:

- Draw on existing legal frameworks where possible.
- Be compatible with the Ministerial control framework in place on creation of new public bodies which includes a presumption against the establishment of new bodies.
- Enable the ONS classification of universities and the principle of academic independence to be preserved.

The main dependencies linked to the Project are:

- Connection to Education Reform to ensure the school and post-school public bodies landscape are aligned.
- Capacity and capability across the Scottish Government and public bodies to deliver change, and the need to align existing systems.
- Availability and quality of data provided by public bodies in development of the OBC analysis.

These risks, constraints and dependencies will be mitigated and managed through:

- Establishing the right, collaborative governance and delivery structures, developing these in partnership with public bodies once Ministers have made a decision on the preferred way forward.

- Maintaining and enhancing the portfolio approach to management of reform across the education and skills portfolio. This will include sharing lessons learned, resources and exploring further opportunities for alignment.
- Ensuring regular, relevant communications and engagement with staff in public bodies affected by the change, their recognised trade unions and wider stakeholders.
- Continuing to develop the evidence base and analysis as plans progress from development to detailed design and delivery - providing increased certainty around likely costs and benefits.
- Making dedicated resource available to support transition in order to minimise disruption to business as usual activity which must continue to deliver for learners and employers across Scotland whilst reform is underway.

There are a number of key dependencies between this OBC Project and other Scottish Government and wider stakeholder activities. These have been considered in the development of the OBC and include internal and external dependencies as well as dependencies between the Public Bodies within the post-school funding body landscape and that of the education institutions within the post-school education system.

1.3 Socio-Economic Case

The Socio-Economic case identifies and provides an appraisal of the options for simplifying the post-school funding body landscape, following HM Treasury Green Book principles.

1.3.1 Long-list appraisal

Eight long-listed options with sub-options for different delivery methods (20 options in total) were developed as a result of several workshops and engagement with policy areas. These looked at a variety of ways to address the business needs and the objectives within the scope identified in the Strategic Case. The long-list included options that solely move funding functions for provision – i.e. funding for National Training Programmes and/or funding for college and university provision – from one organisation to another; options that solely move student support – i.e. higher education and/or further education student support – funding functions from one organisation to another; options that move both provision and student support funding functions from one organisation to another; and options that looked at creating an entirely new funding body for provision and student support. More detail on these options can be found in section 3.2 of the socio-economic case.

As per the HMT Green Book Guidance,⁵ Scottish Government policy officials and analysts collectively assessed all long-listed options against the spending objectives and critical success factors. Each option was rated as “red”, “amber”, or “green”, expressing the delivery structure not satisfying, partially satisfying, or fully satisfying the appropriate appraisal criteria. During the assessment further consideration of constraints, dependencies, unmonetised and unquantifiable factors, as well as unintended consequences were taken into account, based on currently available evidence.

⁵ [Guide to developing the Programme Business Case \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/guidance-to-developing-the-programme-business-case)

As a result of the assessment, it was agreed that only options that brought responsibility for student support together into one body and responsibility for all provision funding together into one body would sufficiently meet the core scope of the project and deliver on the objectives as well as at least partially meeting all of the critical success factors set out in the strategic case.

Whether all these functions should be under one single body was less clear, particularly from a value for money perspective, and it was determined that this would require further investigation.

Two options were assessed as best meeting the criteria while also satisfying the constraints set out for the Project. These, alongside Business as Usual (as shown below), were taken forward for more detailed appraisal.

- **Option 1:** Business as Usual.
- **Option 2:** Consolidate all provision funding within one public body (SFC) and all student support funding within one public body (SAAS).
- **Option 3:** Consolidate all provision funding and all student support funding within one public body (SFC).

1.3.2 Short-list appraisal methodology

As highlighted above, this Project is ultimately about structural change, where the benefits relate to creating conditions to improve the system, and therefore are not easily quantifiable or monetisable. This means that traditional Green Book cost-benefit analysis (CBA) is not suitable for appraisal.

The alternative approach suggested by the Green Book – cost-effectiveness analysis (CEA) – requires an effectiveness measure, which is not readily available for a project that has multiple outcomes and objectives. To resolve this, the Socio-Economic case applied a Multi-Criteria Decision Analysis (MCDA) approach in addition to analysing the costs, allowing for an effectiveness measure to be created from the MCDA results. The use of MCDA also provides Ministers with additional information on how the outcomes vary by options and incorporates stakeholder views.

An HMT Green Book approved method, MCDA assesses the performance of options against set criteria, taking into account different viewpoints and perspectives of key stakeholders. Used widely across the public sector, it is a good addition in appraisals that do not rely predominantly on monetary valuations and facilitates wider engagement in the process.

The criteria used in the MCDA to assess the short-listed options are as follows:

Table A: MCDA criteria

Criteria set	Criteria
Simplicity and Accountability	1. Simplify and clarify responsibility for governance and assurance of all aspects of the post-school system, allowing for action to be taken when standards are not met.
Operational Efficiency	2. Improve operational efficiencies within the post-school funding landscape.
	3. Enable efficiencies within the funding recipient landscape.
Data Quality, Availability and Comparability	4. Enable best use of existing data.
	5. Enable improvement of quality, comparability and fitness for purpose of future data collection.
Equity and Agility	6. Enable more targeted, equitable and sustainable distribution of student support funding.
	7. Enable agile and responsive funding models across all forms of provision.
Implementation and Risk	8. Deliverability of options.
	9. Deliverability of outcomes.
	10. Disruption.

A workshop was held on 5 September 2024 with key stakeholders, including Scottish Government policy officials and participants from SDS, SFC, SAAS as well as Universities Scotland, Colleges Scotland and Independent Training Providers.

Participants were asked to rank options against each criterion and to provide reasons for those rankings. These rankings were then collated to determine a ranking for each criterion and each criteria set. The criteria sets were weighted equally at this stage.

1.3.3 MCDA results

The following table shows the summary results of the MCDA workshop for each option by criteria set.

Table B: Ranking of options against each criteria set (1 = best, 3 = worst)

CRITERIA		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
1	Simplicity and Accountability	3	1	2
2	Operational Efficiency	3	1	1
3	Data Quality, Availability and Comparability	3	2	1
4	Equity and Agility	3	2	1
5	Implementation	1	1	3
Sum of ranks		13	7	8
Overall result		3	1	2

The overall workshop feedback highlighted clear agreement that the current system (i.e. Option 1 – Business as Usual) was not sustainable and that change is needed. However, feedback was also clear on the importance of implementing the change well, following best practice and retaining required skills while ensuring minimal disruption and keeping the learner, as well as employers, at the forefront.

In terms of the option that best met the criteria, workshop feedback varied. Option 2 was seen as most likely to remove complexity and be easier and less disruptive to deliver as opposed to Option 3. However, many participants argued that Option 3 would ultimately lead to marginally greater efficiencies and would enable better data collection and comparability by concentrating responsibility for data gathering and sharing within one body as well as better equity outcomes. The primary concern about Option 3 related to SAAS functions in administering student loans and whether the loan book could transfer to a non-departmental public body (NDPB). There was also concern that this Option would lead to more complexity, given that many of the bodies involved in student loans, including HMRC, HM Treasury and the Student Loans Company are out of scope of this Project.

While the overall scores show Option 2 ranking the first, the more detailed results outlined below illustrate the close nature of the scores between Option 2 and 3. In fact, many participants said there was, at most, a marginal difference between these options in terms of benefits.

Several sensitivity tests were also carried out, including Monte Carlo analysis. These confirmed that the difference between Options 2 and 3 is marginal and that the results are highly sensitive to changes in weightings as well as the assessment method chosen, with Option 3 typically ranking higher than Option 2 when Criteria Sets 3 and 4 are given higher weight than Criteria Sets 1 and 5.

1.3.4 Cost analysis results

Annual nominal costs from the Financial Case were summed and discounted (by 3.5%) in accordance with HMT Green Book methodology and principles, to provide a Present Value of Costs (PVC) over a 9-year time horizon. These were also presented as Additional Present Value of Costs relative to BAU.

Both of the non-BAU Options (2 and 3) will incur additional costs. Option 2 has lower additional PVC, ranging from £5.2 million to £9.1 million, compared to Option 3 which has additional PVC ranging from £9.5 million to £16.1.

1.3.5 Cost-effectiveness analysis results

The MCDA and cost analysis were then combined to provide a formal cost-effectiveness analysis (CEA). This was done by dividing the total PVCs for each option by the sum of inverted MCDA Criteria Set ranks for each option to arrive at a cost-effectiveness ratio, with the option with lowest ratio being the most “cost-effective”. Here, the sum of MCDA ranks represents an “effectiveness measure”, or “outcome” that the costs are assessed against.

The results for this are set out below in Table C and show that Option 2 is most “cost-effective”, followed closely by Option 3, with Option 1 least “cost-effective”.

Table C: Cost-effectiveness analysis results

Cost-effectiveness analysis results	Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
PVC range (low-high) (£ million)	359.7 – 395.0	364.9 – 404.1	369.2 – 411.1
Sum of ranks	7	13	12
Cost-effectiveness ratio (low-high)(£ million)	51.4 – 56.4	28.1 – 31.1	30.8 – 34.3

Sensitivity tests were also conducted to see how much the MCDA Criteria Set weightings or costs need to change for the overall result of the CEA to change. These show that the CEA results and MCDA results are broadly consistent and follow similar patterns when weightings are changed. They also show that the results are not very sensitive to costs, with the overall PVC for Option 2 having to increase by more than 80% and Option 3 PVC by more than 65% for Option 1 to become the most “cost effective”.

1.4 Commercial case

The commercial case sets out an overview of existing services and systems in place across the three public bodies and summarises the forward plan that will be developed to procure the types of goods and services likely required in the future system.

The following commodities have been identified within the case: digital infrastructure, ICT services, transfer of data, media and marketing, training and development, research, and estates. In addition to this, corporate services such as HR and finance would also be included.

Procurement for this Project is anticipated to follow the Scottish Government’s Procurement Strategy and, at the very least in the planning stages, the implementation project will be supported by the Scottish Procurement and Property Directorate. This will support the effective management of commercial risks during implementation, transition and operational phases of the reform of public bodies within the post-school funding body landscape.

Given detailed design of future target operating models has not been possible in advance of a decision being made, the commercial case does not detail what procurement will be required, but instead summarises potential future commercial and procurement considerations that will have to be taken into account.

It is important to reflect that the future procurement requirements for this Project may rest with existing public bodies, or within a reformed public body, rather than with the Scottish Government. Should this be the case, as is currently required, public bodies would be expected to take the appropriate steps in line with Scottish Government procurement processes and strategies, in particular driving forward best value and ensuring that ethical standards are embedded within the process to create sustainable, person centred, public services.

1.5 Financial Case

The Financial Case sets out the estimated costs associated with the three short-listed options and the impact of these on public finances. Costs are assessed both for the transition to and running of the post-school education and skills funding body landscape, from 2025/26 to 2033/34, assuming that any changes would be operational within 2026/27 with initial transition costs being incurred from 2025/26.

The costs are based on detailed technical submissions from all affected public bodies. Given it has not been possible to undertake detailed modelling of future target operating models for each option at this time, a number of assumptions have been applied throughout the financial case to estimate costs.

As a proxy for future “to be” structures, the basis for the cost assumptions presented have been derived by considering the “as-is” as a baseline and consolidation of these costs into new structures for each option. A number of comparable reform programmes from Scotland and across the UK were considered to provide reasonable estimate costs of change in areas such as workforce, IT services and estates costs in advance of detailed design having taken place on the basis of a preferred option. Public body annual accounts were used to determine consistent cost elements in conjunction with information provided from public bodies.

The financial case focuses on the financial costs associated with implementing each option, it is important to consider the direct financial benefits alongside this information. For the purposes of this Financial Case, an assumption has been made that no changes will be made to running of the system under Options 2 and 3.

This is because it is not possible to quantify any cost savings related to operating costs, such as through shared systems and services, at this time. While these are assessed as being likely to materialise during the implementation period of the project, either through reductions in duplication of existing corporate functions or through enhanced shared services or new systems, these will not be able to be quantified until detailed design work towards a new target operating model across all public bodies has been undertaken. Therefore, any estimates presented that relate to the operation of the system under Options 2 and 3 do not provide a complete reflection of the potential financial benefits of the future system.

1.5.1 Overall costs per Option

Table D: Overall Option costs over the 9-year appraisal period in cash terms (£ million)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Option 1 – Business As Usual									
Low	51.6	52.8	48.0	47.6	47.6	48.3	48.2	48.7	49.5
High	53.4	55.2	51.1	51.5	52.3	54.2	55.2	57.0	59.0
Option 2 – Two funding bodies									
Low	52.1	55.0	48.5	48.1	48.0	48.7	48.7	49.2	49.9
High	54.4	59.4	51.9	52.2	53.1	54.9	56.0	57.7	59.7
Option 3 – One funding body									
Low	52.1	56.5	49.0	48.6	48.6	49.3	49.2	49.8	50.5
High	54.4	61.9	52.8	53.1	53.9	55.8	56.8	58.6	60.6

Table E: Additional costs for Options 2 and 3 relative to Option 1 (BAU) over the 9-year appraisal period in cash terms (£ million)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Option 2 – Two funding bodies									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	1.0	4.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Option 3 – One funding body									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	1.0	6.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6

1.5.2 Sensitivity tests

Given the level of uncertainty particularly in relation to staff and transition costs, three sensitivity tests were conducted to account for the potential risk of costs being higher than originally estimated. Scenario 1 assumes a 10% year-on-year increase in the “high” staff costs for those in scope to transfer from 2026/27 onwards. Scenario 2 assumes a 100% increase in the “high” transition costs over 2025/26 and 2026/27. Finally, Scenario 3 combines scenarios 1 and 2. Option 1 remains unchanged.

The following two tables show how the range of total costs relative to Option 1 set out in the above table (Table D) change in each of the three scenarios.

Table F: Total additional costs for Option 2 relative to Option 1 per sensitivity scenario in case in cash terms (£ million)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Scenario 1									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	1.0	5.1	1.8	1.7	1.6	1.7	1.7	1.7	1.7
Scenario 2									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	2.1	7.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Scenario 3									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	2.1	8.8	1.8	1.7	1.6	1.7	1.7	1.7	1.7

Table G: Total additional costs for Option 3 relative to Option 1 per sensitivity scenario in cash terms

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Scenario 1									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	1.0	8.9	4.0	3.9	3.9	3.9	4.0	4.0	4.1
Scenario 2									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	2.1	12.9	1.7	1.6	1.6	1.6	1.6	1.6	1.6
Scenario 3									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	2.1	15.2	4.0	3.9	3.9	3.9	4.0	4.0	4.1

1.5.3 Overall affordability

While there is clarity on the budget for 2025/26, the budget for 2026/27 and beyond is not yet clear, therefore, it is not possible to say if all options are feasible and could be progressed within current budget constraints. Even though a commitment has been made to bring forward the necessary legislation to give effect to the changes considered in this Outline Business Case, the consultation on the legislation made clear that implementation would, most likely, be for a future administration to consider as part of its budget process. The outcome of the UK Government multiyear spending review will also be relevant in this context.

While it has not been possible to quantify the potential level of savings that could be released as a result of reform at this time, this work will continue to be modelled as detailed design work towards a new target operating model across all public bodies progresses. In the absence of the modelling of potential savings, Option 1 (BAU) is the lowest cost option to implement. However, given the challenging budgetary context and the need to adapt the system to become more flexible and fleet of foot, it is unlikely that a Business as Usual scenario would be affordable in the long term and therefore demonstrable efficiencies would be required in all scenarios.

1.6 Management case

The Management Case is in two parts and sets out the management and governance arrangements that have been in place during the development of the OBC and the governance and assurance arrangements that will need to be established for the further development and implementation of a preferred way forward.

In the first part of the management case, the existing governance structures for the portfolio, programme and project are outlined. Within the project governance the role of different groups is clarified, including the role of the Technical Assurance Group, which includes representatives from public bodies, and the role of the internal Scottish Government Project Board.

The second part of the management case considers governance and reporting arrangements following a decision being made by Ministers on a preferred way forward. This includes commentary on indicative timescales and principles that will guide the approach to implementation. Additional detail is provided on change management and initial thinking on benefits realisation. Once a final option for implementation is confirmed, the project governance arrangements set out here will form the starting point for development of a delivery plan, in partnership with affected public bodies, including the agreed approach to benefits management and realisation.

Monitoring and evaluation for this project will follow the same approach as the wider reform programme, using the Purpose and Principles outcomes and the bespoke project level logic model as the basis for evaluation planning. Project monitoring will follow the metrics set out in the benefits realisation plans and will be part of a wider framework of measures to track delivery across the programme as a whole.

Moving beyond the initial phase of the Project, and once a preferred option is known, there will be a requirement to revisit project and workstream structures and to co-

design these with affected public bodies to ensure that the detailed knowledge and expertise required to design an effective future system can be brought to bear to deliver the aims of the Project. These working groups will form part of the implementation phase and will be important as plans are developed and tested.

1.7 Conclusion

The OBC sets out the strategic context and case for change to take forward simplification of the post-school funding body landscape. It provides a detailed financial and economic appraisal of the short-listed options to provide sufficient information to enable Ministers to make an informed choice about a preferred option to progress to further development, detailed design and implementation.

The financial appraisal focusses on setting out the additional costs of delivering either Option 2 or 3 relative to business as usual. In this phase of development, this primarily involved considering detailed technical submissions on staff, systems, operational practice and processes across the current funding body landscape. This enabled a better understanding of costs and deliverability of these options - resulting in a more detailed affordability assessment of the options, with Option 1 assumed to be cost-neutral, and with additional costs associated with Option 2 being lower than with Option 3.

It was not, however, possible to quantify the benefits that would be expected to be realised through enhanced operational efficiency from the system in the future or through wider societal benefits from a simpler and more responsive system.

The economic appraisal partially accounted for this, showing clear support for the case for change set out in the Strategic Case, with Option 1 seen as unlikely to be sustainable or affordable longer term as well as unlikely to deliver on the business needs set out in the Strategic Case. However, the analysis suggests it is less clear which of the “change” options should be taken forward.

Based on the economic appraisal, Option 2, while still representing change and introducing uncertainty and disruption to the system, is less complex, more affordable and less high risk than seeking to make the wholesale system change outlined in Option 3. The way that learners interact with the system would not be disrupted in Option 2 and this option has been assessed as being likely to deliver benefits through clarification of roles and responsibilities, elimination of duplication of functions, enhanced opportunities for shared systems and services and improvements in the availability and comparability of data.

Option 3 would likely deliver the same benefits and may also drive out marginally greater efficiency, equity outcomes and enhanced transparency and comparability of data. However, it is more costly to deliver and likely to lead to greater disruption.

Given that the analysis points to no obvious “winner”, the final decision may rest on risk appetite in relation to both tolerable levels of disruption and additional spend balanced with the level of importance placed on specific outcomes, with Cost-Effectiveness analysis showing Option 2 as the most “cost effective” by a small margin, when assuming that all outcomes are assigned equal importance.

In particular, consideration should be given to the extent and nature of the potential disruption associated with Option 3, and whether it could lead to issues with student

loan provision that could negatively impact students. Similarly, it is useful to consider whether the potential for marginally enhanced delivery of some outcomes from Option 3 should be given more weight, and therefore be sufficient to outweigh the additional associated costs and the complexity of implementing such a large-scale change.

Significant further work is required to develop the detailed design and implementation plan for Minister's preferred option and to ensure that all opportunities to drive efficiency, best value and better outcomes for learners and employers are pursued.

The next phase of work to develop a preferred option in detail and to design future target operating models for a reformed system will require the expertise, capacity and capability that exists within SAAS, SDS and SFC to be brought to bear.

The OBC begins to set out some of the delivery capabilities, management strategies and Project and Programme governance that will require to be put in place for the next phase of development to deliver transformation to a high standard.

2. Strategic Case

2.1 Introduction

The Strategic Case outlines the strategic context for the Project and the case for change for simplifying the post-school funding body landscape in Scotland.

The Independent Review of the Skills Delivery Landscape⁶ and the Purpose and Principles for Post-School Education, Research and Skills⁷ reports, that were published in 2023, identified a range of issues within the current post-school funding body landscape.

To address these issues, James Withers recommended that:

- “Scottish Ministers should identify and establish a single national funding body to have responsibility for administering and overseeing the delivery of all publicly funded post-school learning and training provision. This would bring together the responsibility for funding of apprenticeships and training currently remaining in Skills Development Scotland with the functions for dispensing funding to colleges and universities currently carried out by the Scottish Funding Council. Ministers should consider whether this new body should also include responsibilities currently undertaken by the Students Awards Agency for Scotland, which sat outside the remit of this Review.”

Accepting the premise of this recommendation, the Purpose and Principles Initial Priorities, published in June 2023 committed Scottish Ministers to:

- “...investigate the options to deliver a single funding body, including tuition and living cost support, paying regard to issues such as the status and scope of the body’s responsibilities”.

The simplification of the post-school funding body landscape is one of the first and most important workstreams in the overarching reform and continuous improvement of Scotland’s Education and Skills System.

The Project will enable the delivery of many of the other post-school priorities including improvements to approaches to student support, creating the conditions for parity of esteem across different pathways of provision and greater transparency, flexibility and prioritisation of public investment in people and provision, including enabling the delivery of any future funding models.

⁶ [Fit for the Future: developing a post-school learning system to fuel economic transformation - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fit-for-the-future/developing-a-post-school-learning-system-to-fuel-economic-transformation-2023/pages/1-1-introduction-to-the-report.aspx)

⁷ [Supporting documents - Post-school education, research and skills - purpose and principles - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/supporting-documents-post-school-education-research-and-skills-purpose-and-principles-2023/pages/1-1-introduction-to-the-report.aspx)

2.2 Wider Scottish Government Policies and Strategies

The purpose of post-school education, research and skills was set out in the Purpose and Principles as:

- “To develop new thinking, products and systems through research and to ensure that people, at every stage in life, have the opportunity and means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.”

Given the far-reaching impacts of the system and its purpose to serve wider society, there are a number of Scottish Government strategies and priorities that align with the work to simplify the post-school funding body landscape.

2.2.1 National Performance Framework

The National Performance Framework⁸ measures the overall performance of Scotland against a number of national outcomes. It has an overarching ambition to provide equality and opportunity for everyone, including through post-school education, research and skills.

As a nation, we aim to:

- Create a more successful country.
- Give opportunities to all people living in Scotland.
- Increase the wellbeing of people living in Scotland.
- Create sustainable and inclusive growth.
- Reduce inequalities and give equal importance to economic, environmental and social progress.

A reformed post-school funding body landscape will contribute to the delivery of the following national outcomes⁹:

- **Education: We are well educated, skilled and able to contribute to society**
 - Enables targeted and equitable distribution of funding that places children, young people and adult learners at the core.
 - Less investment goes on administering the system, duplication is reduced, the quality of data is enhanced which enables more informed decision making and supports a national approach to skills planning.
- **Economy: We have a globally competitive, entrepreneurial, inclusive and sustainable economy**
 - Improved quality and availability of data supporting national and regional skills planning.
 - More flexible models of funding are enabled within a streamlined system.
 - Clear responsibility for funding innovation, research and knowledge exchange within institutions, underpinning Scotland’s globally competitive economy.

⁸ [National Performance Framework | National Performance Framework](#)

⁹ [National Outcomes | National Performance Framework](#)

- **Fair Work and Business: We have thriving and innovative businesses, with quality jobs and fair work for everyone**
 - The way that funding flows through the system is clear; there is confidence across Scotland's economy that the system delivers and clarity on the return on investment.
- **International: We are open, connected and make a positive contribution internationally**
 - Maintaining Scotland's internationally renowned research base.
- **Poverty: We tackle poverty by sharing opportunities, wealth and power more equally**
 - Simplifying the funding body landscape, clarifying roles and responsibilities and removing duplication will enable more innovative and person-centred approaches to student support to be developed and delivered. This will enable learners, no matter their background, to access support to take up learning opportunities enhancing their career and life prospects.

2.2.2 Public Service Reform

While the challenging fiscal context was not the primary driver for beginning reform of the Education and Skills system, consideration of how best to improve the funding body landscape is necessarily informed by this context and by the drive for public service reform committed to by Scottish Ministers in the Policy Prospectus in 2023 and reiterated in the Programme for Government 2024/25¹⁰.

In the Policy Prospectus¹¹ and the 23/24 Programme for Government (PfG), Scottish Ministers committed to establishing a 10-year programme of Public Service Reform (PSR) that will:

- Ensure public services remain fiscally sustainable by reducing costs and reducing long-term demand through investment in prevention.
- Improve outcomes, which will improve lives and reduce failure demand.
- Reduce inequalities of outcome among communities in Scotland, recognising the need not just for improved outcomes, but a focus in policy and delivery on those most disadvantaged.

The 24/25 Programme for Government committed Scottish Ministers to taking the next steps of the 10-year Public Service Reform programme and set out plans to introduce 14 Bills over the course of the parliamentary year, including that of post-school Education Reform.

As part of the PfG, the post-school Education Reform (Scotland) Bill will enable this Project to simplify the post-school funding body landscape. This will reform the education and skills funding system so it is easier to navigate and responsive to learners and skills priorities – breaking down silos and reducing bureaucracy.

The result of simplifying the post-school funding body landscape will bring funding for learner support into one place, and funding for publicly funded post-school provision together into one place, for the benefit of learners, employers, the economy and wider society.

¹⁰ [Programme for Government 2024-25: Serving Scotland - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/programme-for-government-2024-25/pages/summary.aspx)

¹¹ [Equality, opportunity, community: New leadership - A fresh start - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/equality-opportunity-community-new-leadership/pages/summary.aspx)

This commitment is a core part of Government's response to the challenges laid out in the Medium Term Financial Strategy (MTFS)¹², as well as addressing specific commitments on efficiency measures laid out in the Resource Spending Review (RSR)¹³.

Simplification of the post-school funding body landscape supports these objectives of the MTFS and RSR in the following ways:

- **Fiscal sustainability** – simplified funding body landscape would be expected to reduce the costs of administering funding across the system, enabling more of the total investment made to be directed towards institutions, research, learners and employers.
- **Improved outcomes** - Education and skills development are important areas of preventative spend with clear evidence that participation improves social and economic outcomes for the individual.¹⁴
- **Reduce inequalities** – simplification of the funding body landscape will enable more innovative approaches to targeting both student support and policies like widening access and approaches to articulation between further and higher education as well as other learner pathways – supporting parity of esteem.

2.2.3 National Strategy for Economic Transformation (NSET) and Growing the Economy

In 2022, the Scottish Government published the National Strategy for Economic Transformation (NSET)¹⁵. As outlined above, a well-functioning education and skills system underpins many of the programmes outlined in the NSET, linked to the national outcomes.

Ministers have been clear about the delivery of NSET rather than refreshing the strategy itself. In line with this aim the 2024/25 Programme for Government outlines the actions that will be taken forward to deliver NSET and grow Scotland's economy. The Programme for Government (PfG) therefore contains the actions related to NSET between now and 2026.

In relation to skills funding the relevant action is to:

- Reform the education and skills funding system so it is easier to navigate and responsive to learners and skills priorities – breaking down silos and reducing bureaucracy – introducing a Bill to simplify the post-school funding body landscape.

This action is part of the People Pillar which replaces the previous internal governance for delivery of NSET. The aim of the People Pillar is to:

- “grow the labour supply by reducing inactivity and supporting inward migration, and to help people get into, stay in and progress in work through employability, skills and health support.”

¹² [The Scottish Government's Medium-Term Financial Strategy - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/mtfs-2022-2026/pages/introduction.aspx)

¹³ [Resource Spending Review 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/rsr-2022-2026/pages/introduction.aspx)

¹⁴ [Scottish Government Literature Review on Economic, social and wellbeing benefits of participation in lifetime learning and skills.](https://www.gov.scot/publications/scottish-government-literature-review-on-economic-social-and-wellbeing-benefits-of-participation-in-lifetime-learning-and-skills/pages/introduction.aspx)

¹⁵ [Delivering Economic Prosperity \(www.gov.scot\)](https://www.gov.scot/publications/delivering-economic-prosperity/pages/introduction.aspx)

As part of the People Pillar, the Skills System reform element covers both the National approach to Skills Planning and the Reform of the education and skills funding system. The outcomes set for the People Pillar are:

- Work provides sustainable standard of living and a route out of poverty.
- Lifelong training to ensure employers have the skills they need.

A simplified post-school education and skills funding body landscape is a key enabler in supporting the achievement of the vision of the skilled workforce programme and People Pillar. This work, alongside multiple other projects being taken forward by the Scottish Government and public bodies, is vital to contributing to successful delivery of these outcomes.

Simplification of the post-school funding body landscape will help provide the foundations for an agile and responsive system which meets the needs of Scotland's employers, in particular supporting implementation of a national approach to skills planning and strengthening of regional approaches as well as ensuring that it is possible to assess the social and economic return on investment from the money spent on post-school provision and student support.

2.3 Lifelong Learning and Skills Directorate Policies and Strategies

Scotland's post-school education and skills system has been the focus of numerous independent reviews over recent years. These reviews have demonstrated a compelling case for change for the system to be fit for the opportunities and challenges ahead of us. These reviews have included SFC's review of coherent and sustainable provision,¹⁶ the Cumberford-Little Report,¹⁷ and the Independent Review of Student Financial Support in Scotland¹⁸. Many of these reviews focus on the need to change the funding system to ensure that the significant investment being made in Scotland is put to optimal use and advocate for the development of common systems and consolidated budgets.

There is a large-scale programme of reform and continuous improvement of the post-school education, research and skills landscape being led by the Directorate for Lifelong Learning and Skills in the Scottish Government. The recommendations of previous reviews, as well as the Initial Priorities for the Purpose and Principles document, form the basis for many of the outcomes and benefits due to be delivered through the programme.

2.3.1 Independent Review of the Skills Delivery Landscape

The most recent independent review was undertaken by James Withers. James Withers was asked by the Scottish Government to conduct an Independent Review of the Skills Delivery Landscape which reported in June 2023. As part of that review, and to address these issues, one of the recommendations was:

“To establish a new single funding body, which brings together responsibility for all post-school learning and training funding functions from SFC, SDS and, potentially, the Student Awards Agency for Scotland”.

¹⁶ [Review of Coherent Provision and Sustainability \(sfc.ac.uk\)](https://www.sfc.ac.uk/review-of-coherent-provision-and-sustainability)

¹⁷ [The Cumberford-Little Report](#)

¹⁸ [A New Social Contract for Students: Fairness, Parity, Clarity \(2017\)](#)

While student support was not within scope of the review, this recommendation stemmed from one of the key themes of the final report being a 'complex and fragmented funding environment'. This complex and fragmented funding landscape is, as previously mentioned, the key driver for this policy change.

2.3.2 Purpose and Principles

The Purpose and Principles were developed in response to the SFC Review of Coherent Provision and Sustainability¹⁹, in which it was recommended that the Scottish Government "sets out more clearly its overall strategic intent for tertiary education and research."

Scottish Government accepted the SFC's recommendation but broadened the scope that led to the development of the Purpose and Principles, recognising that the post-school education, research and skills landscape was a system broader than tertiary education and research.

The final Purpose and Principles document, as published in June 2023, serves to provide a constant in times of change and a clear set of ambitions to work towards as Scottish Government re-imagines and reforms the system. It acts as a framework that sets the policy direction and shapes delivery priorities.

The Purpose and Principles, alongside the accompanying documents, have been designed to bring a shared understanding of what the system is, how it functions and what it currently delivers to a common starting point and to set strategic outcomes for the system in the short, medium and longer terms. This framework will be added to over time as detailed delivery plans, and measurement and evaluation tools evolve, recognising the changing needs, and agility and responsiveness required not just of the system but of the policies directing it.

A series of short-term, medium and long term outcomes for the programme of post-school education reform were additionally published alongside the Purpose and Principles. These were developed through a logic modelling exercise with internal and external stakeholders. The outcomes most relevant to simplification of the funding body landscape are set out in Table 1 below.

¹⁹ [SFC National Review - Scottish Funding Council](#)

Table 1: Selected long-term outcomes for the programme of post-school education reform

Principles	Long-term outcomes enabled by simplification of funding landscape
Transparent, Resilient and Trusted	<ul style="list-style-type: none"> • Public funding models for education, skills and research are fair, transparent, and maximise value. • All parts of the post-school system are trusted to deliver, environmentally and financially resilient, and held to account for their impacts on learners, practitioners, local communities, and the wellbeing economy. • Collaboration across the post-school system is pursued proactively with shared values and a common purpose.
Supportive and Equitable	<ul style="list-style-type: none"> • The public funding system for student support is perceived as fair, transparent and accessible by Learners, Providers and Employers. • Learners have access to holistic, person-centred support, empowering them to access, sustain and complete their learning.

Full details of the Purpose and Principles, Programme level outcomes and Initial Priorities can be found in Annex A.

Alongside the Purpose and Principles, Initial Priorities for the system were published that included the commitment to:

“Investigate the options to deliver a single funding body, including tuition and living cost support, paying regard to issues such as the status and scope of the body’s responsibilities”

Following publication, the Minister for Higher Education, Further Education and Veterans expanded on this commitment in a statement to the Scottish Parliament on 5 December 2023 stating that:

“James Withers called for the creation of a single funding body, and we do not rule that out. As an initial step, I commit to bringing learner support funding together in one place, and funding for apprenticeship provision together in one place.”²⁰

While James Withers recommended a single funding body, he recognises in his report that his remit was focussed on the skills delivery landscape and not the entirety of the post-school funding landscape. For this reason, it was important that further consideration was given to the practicalities of implementation and delivery of a single funding body in this space. For this reason, development of the Strategic Outline Case has considered simplification of the funding landscape, up to and including a single funding body.

²⁰ [Official Record of the Scottish Parliament, 5 December 2023](#)

2.4 Case for Change

The evidence outlined within the Strategic Case suggests that the current post-school education, skills and research system lacks a coherent vision, shared values and a common purpose. It features complexity and confusion around overlapping roles, functions and funding models between and across government and public bodies, alongside insufficient collaboration, trust and flexibility that would allow the system to deliver better outcomes.

Reflecting on the evidence, it is acknowledged that the current system is not as efficient or effective as it could be, and that an approach to simplify processes and systems, whilst reflecting on future long-term benefits, could be achieved to deliver a more effective funding system for the future.

The aims of this Project are to enable the delivery of improvements to approaches to student support, creating the conditions for parity of esteem across different pathways of provision and greater transparency, flexibility and prioritisation of public investment in people and provision; including enabling the delivery of any future funding models.

2.4.1 Spending Objectives

The purpose of Scotland's post-school education, skills and research system is:

To develop new thinking, products and systems through research and to ensure that people, at every stage in life, have the opportunity and means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.

The development of the Purpose and Principles was informed by existing evidence and was built out following extensive engagement over the course of a year across the post-school education, skills and research system.

Table 2 shows the logic model that was developed for the simplification of the post-school funding body landscape Project. This model reflects the wider programme level outcomes articulated in section 2.3.

This logic model has been developed from a comprehensive set of logic models for the post-school education, skills and research system, aligned to the Purpose and Principles document and intended for use as part of our approach to monitoring progress against delivery with partners and stakeholders. The full set of Purpose and Principles logic models were developed with input from stakeholders and will continue to be refined with their input as we continue to work together to deliver reform and continuous improvement of the system.

Table 2: Logic model for the simplification of the post-school funding body landscape

Inputs	Actions	Short term outcomes (1-3 years)	Medium term outcomes (4-7 years)	Long term outcomes (8+ years)
<p>Government funding</p> <p><u>Stakeholders</u></p> <p>Providers Delivery partners Funders Policymakers Practitioners Employees Trade Unions Regulators and Inspectors Learners</p> <p>Outputs from skills planning Other available evidence Governance and accountability structures.</p>	<p>Investigate the options to simplify the post-school education and skills funding body landscape, including tuition and living cost support, paying regard to issues such as the status and scope of the body or bodies' responsibilities.</p>	<p>Policymakers, Providers, Delivery Partners and Learners have access to clear and transparent information about funding provision.</p> <p>The public funding body/(ies) landscape is easy for Providers, Learners and Employers to navigate with clearly defined roles and responsibilities.</p> <p>Public bodies and stakeholders take an informed approach to allocation of funding to specific areas of provision.</p>	<p>Providers can plan and manage activity for long term environmental and financial sustainability.</p> <p>Providers and Delivery Partners can explain activity, performance and spend through accountability and assurance processes and data systems.</p> <p>Policymakers, Providers and Delivery Partners have clear and robust data on funding provision.</p> <p>Funding is distributed by the public funding body(ies) efficiently, and with alignment to social and economic need.</p> <p>Learners can access the financial support they need to undertake learning opportunities, regardless of their background.</p>	<p>The public funding body/(ies) for education, skills and research maximise(s) value and impact.</p> <p>The public funding body/(ies) is perceived to act with fairness and transparency.</p>

Informed by existing evidence of the system inefficiencies (set out in detail in the following sections) as well as by the logic model and programme level outcomes, four spending objectives were developed. These are:

1. **To simplify operational responsibility across the post-school funding body landscape** – ensuring fairness, transparency and maximising value for public investment.
2. **To reduce costs and increase efficiencies in the operation of the system** – enabling more of the investment made by the Scottish Government to flow directly to learners and employers by reducing the costs of administering the system.
3. **To improve availability and quality of data collection to inform investment decisions, skills planning priorities and careers advice** - ensuring the system is more responsive to the needs of learners, employers, the economy and society.
4. **To enable targeted and equitable distribution of funding to support the learner** - ensuring that people, at every stage in life, have the opportunity and means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.

2.4.2 Existing Arrangements - Current funding system

The Scottish Government invests over £2 billion per year in provision through Scotland's post-school education, skills and research system, including around £170 million for apprenticeship provision. This supports around 500,000 people in any given year to pursue opportunities to learn, develop their skills and fulfil their potential at Scotland's colleges and universities and supports over 40,000 modern and graduate apprentices in training who can earn as they learn.

The Scottish Government also invests around £1 billion per year in Higher Education Student Support. In 2007 the Scottish Government proposed the Graduate Endowment Abolition (Scotland) Bill and this was approved in 2008. This Bill enabled free tuition for full-time students in higher education. Since 2012-13, free tuition has been provided to around 120,000 eligible students in full time higher education each year. Scotland has the lowest average student loan debt of any UK nation and Scottish students are provided with a generous support package comprised of bursaries and loans, targeting funding towards those who need it most.

This funding is primarily delivered through three public bodies.

Skills Development Scotland (SDS) delivers funding largely through public service contracts to independent training providers, colleges, employers and public sector organisations. This spans across funding for Foundation Apprenticeships (split 50/50 between SDS and SFC), Modern Apprenticeships and Graduate Apprenticeships (for those who are still in training as a result of historical funding arrangements). SDS plays a key role in quality assuring MA's, which involves an extensive audit process. SDS also takes a rigorous approach to contract management and quality across all apprenticeship providers. In addition to this, His Majesty's Inspectors of Education (HMIE) and Education Scotland are commissioned to undertake external reviews of MAs and FAs to quality assure this provision and to work with SDS to reduce duplication (except Graduate Apprenticeships). SDS has previously funded a range

of other National Training Programmes²¹ (NTP), including Individual Training Accounts (ITA) and is also responsible for skills planning, employer engagement and delivery of Scotland's national Careers, Information, Advice and Guidance Service. In addition to delivery of apprenticeships and NTP, SDS is also responsible for the national Careers Service which accounts for more than 800 of SDS headcount and delivers wider functions including; shared IT services on behalf of the enterprise agencies, as well as existing skills planning and employer support services.

Scottish Funding Council (SFC) as part of their remit, fund a specific list of post-16 education bodies, including colleges and universities, to secure coherent provision of high quality fundable further and higher education. SFC provides funding for teaching costs at colleges and universities. For colleges, SFC allocates funding to different institutions through its credit-based funding model. For universities funding is allocated to institutions on a full-time-equivalent funded place basis. Funding includes new and continuing Foundation (FAs) and Graduate Apprenticeships (GAs), which are delivered in part (FA) or wholly (GA) from within the SFC core grant in aid. College credit funding is also used by some colleges to support delivery of MAs. SFC also provides FE student support funding via colleges, as well as some childcare funding for HE students at college, and allocates capital funding to both the college and university sectors for capital maintenance activities. SFC also has a responsibility for delivering Scottish Government core investment in university research and knowledge exchange.

The SFC also has statutory responsibility for ensuring that there are processes in place to measure, assess and enhance the quality of fundable provision. It uses quality assurance frameworks to deliver this. The SFC's implementation of the new [Outcomes Framework and Assurance Model](#) will enhance the focus on colleges and universities contribution to development of a skilled workforce and high quality learning and teaching as well as bringing a focus to institutional sustainability. This work is complemented by the implementation of the [Tertiary Quality Enhancement Framework](#) and the [Research Assurance and Accountability](#) guidance. The SFC also [provides guidance](#) to Colleges and Universities on quality.

Further work on new funding models to support greater agility and responsiveness across further and higher education is being led by the SFC. This is part of the tripartite approach with Colleges and more recently Universities and Scottish Government and SFC. This approach also includes work to consider opportunities for co-investment in further and higher education.

Student Awards Agency Scotland (SAAS) is responsible for assessing eligibility for Higher Education funding for Scottish domiciled students studying annually in the UK. Specialist operations teams are in place to handle complex cases and applications from vulnerable student groups. Generally, SAAS assesses eligibility for tuition fees (incl. the processing and payment of tuition fee loans), living cost loans, bursaries and grants amounting to over 160,000 applications each year at a value of student support of around £1 billion per year.

²¹ For the purposes of this business case National Training Programmes (NTPs) are defined as including any national training offers which are contracted to approved training providers. This currently includes delivery of modern, graduate and foundation apprenticeship programmes as well as historically programmes such as Individual Training Accounts, Employability Fund and Adopt an Apprentice. The majority of NTPs are currently delivered via SDS with some provision delivered by SFC, including FAs and GAs.

Funding schemes administered by SAAS include undergraduate support, postgraduate support, Part-Time Fee Grant (PTFG), support for Graduate Apprenticeships. SAAS administer bespoke support packages for disabled students through the Disabled Students' Allowance (DSA), Care Experienced Students (via the Care Experienced Bursary) and Estranged Students (via the Estranged Student Bursary). In addition, SAAS administers the Paramedic Science, Nursing and Midwifery Bursary (PNMSB), a bespoke funding scheme on behalf of the Scottish Government Chief Nursing Officer Directorate and funding for Educational Psychologists on behalf of the Directorate for Learning. SAAS also undertakes the recovery of overpayments of funding on behalf of that Directorate of Primary Care and NHS Education for Scotland (NES).

In addition, SAAS is responsible for the management and administration of the Higher Education Discretionary Funds to colleges and universities.

SAAS makes direct payments to all eligible students in line with regulations for student financial support and issues the payment of tuition fees in line with the Scottish Government's commitment to free tuition to Higher Education institutions.

SAAS work closely with the Student Loans Company (SLC) to ensure the smooth administration of loan payments to Scottish students and work closely with Scottish Government Lifelong Learning and Skills Directorate on the development and direction of policy in relation to Higher Education Student Support including the development of underpinning legislation.

To ensure the protection of public funds, SAAS undertake recoveries functions in line with the Scottish Public Finance Manual and are a Specialist Reporting Agency for the purposes of fraud detection and prevention.

2.4.3 Public Bodies – Classification

Public bodies are organisations that are directly accountable to the Scottish Government or Scottish Parliament. They can be executive agencies or non-departmental public bodies and may or may not be established in legislation. Public bodies play an important role in the delivery of public services in Scotland. They make a significant contribution to delivering the Scottish Government's outcomes and objectives as set out in the National Performance Framework.

The classifications of public bodies have varying degrees of independence from central government. Each public body also has their own relationship with the Scottish Government.

For Non-Departmental Public Bodies (NDPBs), such as the Scottish Funding Council (SFC) and Skills Development Scotland (SDS), they are not part of the Scottish Government or the Scottish Administration. They carry out administrative, commercial, executive or regulatory functions on behalf of Government. They operate within a framework of governance and accountability set by Ministers which includes annual letters of guidance, framework documents and a dedicated sponsorship team within Scottish Government responsible for managing the relationship between the Scottish Government and the public body and providing assurance to the Principle Accountable Officer and Ministers.

Executive NDPBs such as the SFC are normally established by statute; they employ their own staff, who are not civil servants, and manage their own budgets; and are accountable to a board whose members are normally appointed by Ministers. The board is responsible for holding the executive to account for delivery of the body's functions in alignment with Ministerial priorities.

SDS is a company limited by guarantee, of which Scottish Ministers are the sole member. While they are not established by statute, statutory authority for Scottish Ministers to pay grant in aid to SDS is given in the Employment and Training Act 1973. SDS also govern their board in line with legal duties set out in the Companies Act 2006.

For Executive Agencies, such as Student Awards Agency Scotland (SAAS), they are an integral part of the Scottish Government. They support Ministers in their work, focusing on delivering parts of Government business or providing a specialised function. They have well-defined remits which are aligned with and help deliver the Government's purpose and objectives. They generally have a strong focus on the management and direct delivery of public services.

However, Executive Agencies also, to one extent or another, provide strategic policy input. In some cases, Scotland's Executive Agencies carry responsibility for a discrete area of Government policy and activity and thus work very closely with Ministers. Their staff are civil servants including the Chief Executive, who is directly accountable to Ministers.

Executive Agencies are not statutory bodies but operate in accordance with a Framework Document which is approved by Ministers and may be reviewed, amended or revoked at any time. Director Generals and Directors (depending on the seniority of the Chief Executive) are responsible for ensuring that agencies play a full part within portfolios in support of Ministers' policies and priorities.

More information about the classification of public bodies can be found here: [National public bodies: directory - gov.scot \(www.gov.scot\)](http://www.gov.scot/national-public-bodies-directory).

2.4.4 Budget Lines

While the Scottish Government Education and Skills portfolio budget²² accounts for the bulk of funding routed through SDS, the SFC and SAAS, there are other known sources of Scottish Government funding:

- Directorates for Health and Social Care and Learning Directorate transfer funding to the SFC for controlled places in subjects including medicine, dentistry and other health professions.
- Other government directorates may wish to commission and pay for specific skills development activities, for example initiatives to support upskilling and reskilling of health workers. This money is allocated to the SFC or SDS for onward distribution through providers and institutions, or in some instances for SFC or SDS to deliver specific pieces of work.
- Other individual pots of funding which will have specific purposes, timescales and conditions and are more likely to be subject to bidding processes with

²² [Scottish Government Budget](#)

separate reporting by institutions, for example funding for skills development through City Deals.

- A number of Scottish Government directorates also provide small pots of funding for research, including Net Zero, Health and Social Care, Economy, External Affairs and Corporate. Unlike SFC funding, this is tied to specific Projects rather than institutions.
- SAAS have delegated authority from the Directorate of Lifelong Learning and Skills for the administration of the Higher Education Student Support budget.
- Scottish Government's Chief Nursing Officer's Directorate and Directorate for Learning provide funding to SAAS for the administration of bespoke funding schemes for their student cohorts.
- Directorate of Primary Care provide funding to SAAS to undertake recovery of overpayments on behalf of them and NHS Education for Scotland.
- Scottish Funding Council provide funding to SAAS for the maintenance of the Student Information Scotland website.

The Scottish Government continues to face the most challenging financial situation since devolution, as a result of unprecedented economic pressures following the pandemic and the cost-of-living crisis.

The Government is required to ensure that Scotland's public finances remain on a sustainable trajectory, targeting funding and prioritising spending to support the Scottish Government's key missions. This requires difficult choices to be made.

The focus of this Government is to eradicate child poverty, to protect Scotland's public services, grow Scotland's economy and tackle the climate emergency, while addressing the inequalities that many communities still face.

The 2025/26 draft Scottish Budget was presented to Parliament on Wednesday 4 December 2024. This detailed Scottish Ministers spend proposals for the year ahead and will be scrutinised by the Scottish Parliament through the Scottish Budget Bill process.

Within the Education and Skills portfolio, this budget allocation is used to prioritise excellence and equity in education and skills, including efforts to reduce the poverty-related attainment gap and to support the Scottish Government's wider national mission to tackle child poverty.

2.4.5 Business Needs - Evidence of Existing Challenges in Funding Landscape

As part of the evidence gathering exercise for the Purpose and Principles of post-school reform, several challenges and opportunities were identified in relation to the funding landscape. These are summarised in the problem statement below.

Problem Statement – The current system lacks a coherent vision, shared values and a common purpose. It features complexity and confusion around overlapping roles, functions and funding models between and across government and agencies, alongside a lack of collaboration, trust and flexibility that would allow the system to deliver better outcomes. There is a lack of a comparable system-wide evidence base and regulatory framework which can describe the current successes and challenges, the desired outcomes and metrics and allow for accountability and assurance.

As such, several business needs were also identified that should be addressed in order to achieve the objectives identified in section 2.2 and 2.3. These are:

1. The need for a more coherent vision, shared values and common purpose to avoid confusion for learners and employers.
2. The need to remove overlapping roles, functions and responsibilities minimising duplication and maximising public value.
3. The need to address the lack of comparable system-wide data and evidence leading to difficulty in understanding the social and economic value of investment and making it challenging to plan for the future needs of Scotland's economy and society.
4. The need to address the lack of system-wide measures of success, supporting enhanced accountability and assurance.

Business need 1 – the need for a more coherent vision, shared values and common purpose to avoid confusion for learners and employers.

The current funding body landscape for the Scottish post-school education system has been shown to be complex for both learners, employers and stakeholders - including institutions and learning providers - to navigate.

The fact that multiple agencies and bodies are involved in administering funds across the system adds to the complexity and leads to confusion – contributing to a lack of clarity on roles and responsibilities, complex lines of accountability and creates the conditions for duplication and inefficiency.

One of the consequences of this fragmentation is that parts of the system that should be working in concert can see themselves in competition for funds, or indeed for learners, and use the data that they gather to build and strengthen the case for “their part of the system” as opposed to working towards a shared vision and set of outcomes that serve the needs of Scotland's economy and society in the round.

It also means that, while all parts of the system would say that they take a user-centred approach, the user accessing the service is still being served by multiple different elements of a single system, each with their own Strategic and Operational plan, which does not feel very holistic or user centred for the individual. Both of these points were made very effectively in the recent Independent Review of the Skills Delivery Landscape (2023).

Several reviews have pointed to a lack of a shared vision and values across the system, including the SFC Review in their review of Coherence and Sustainability of the Tertiary System (2021)²³. This followed Scottish Government Ministers ask of SFC, in 2020, to review how the SFC can best fulfil their mission of securing coherent, good quality, sustainable tertiary education and research in these changing times.

Similarly, Audit Scotland (2022)²⁴ highlighted a need for Scottish Government to be leading and setting expectations, as well as better defining the roles and responsibilities of different agencies with a remit for administration of public funding – highlighting this as an area that had lacked focus.

²³ [Coherence and Sustainability: A Review of Tertiary Education and Research](#)

²⁴ [Planning for skills \(audit-scotland.gov.uk\)](#)

The Scottish Government has taken action in response to these reviews and recommendations. First, establishing the Shared Outcomes Framework²⁵ and Shared Outcomes Assurance Group²⁶ in response to the Audit Scotland findings to support collaborative working across agency partners and, in June 2023 publishing the Purpose and Principles for post-school Education, Skills and Research.

The Purpose and Principles is a long-term framework for decision making which is designed to provide a common purpose and bring a greater sense of cohesion across the system, including to the strategic and operational plans of all public bodies that are part of the post-school funding body landscape.

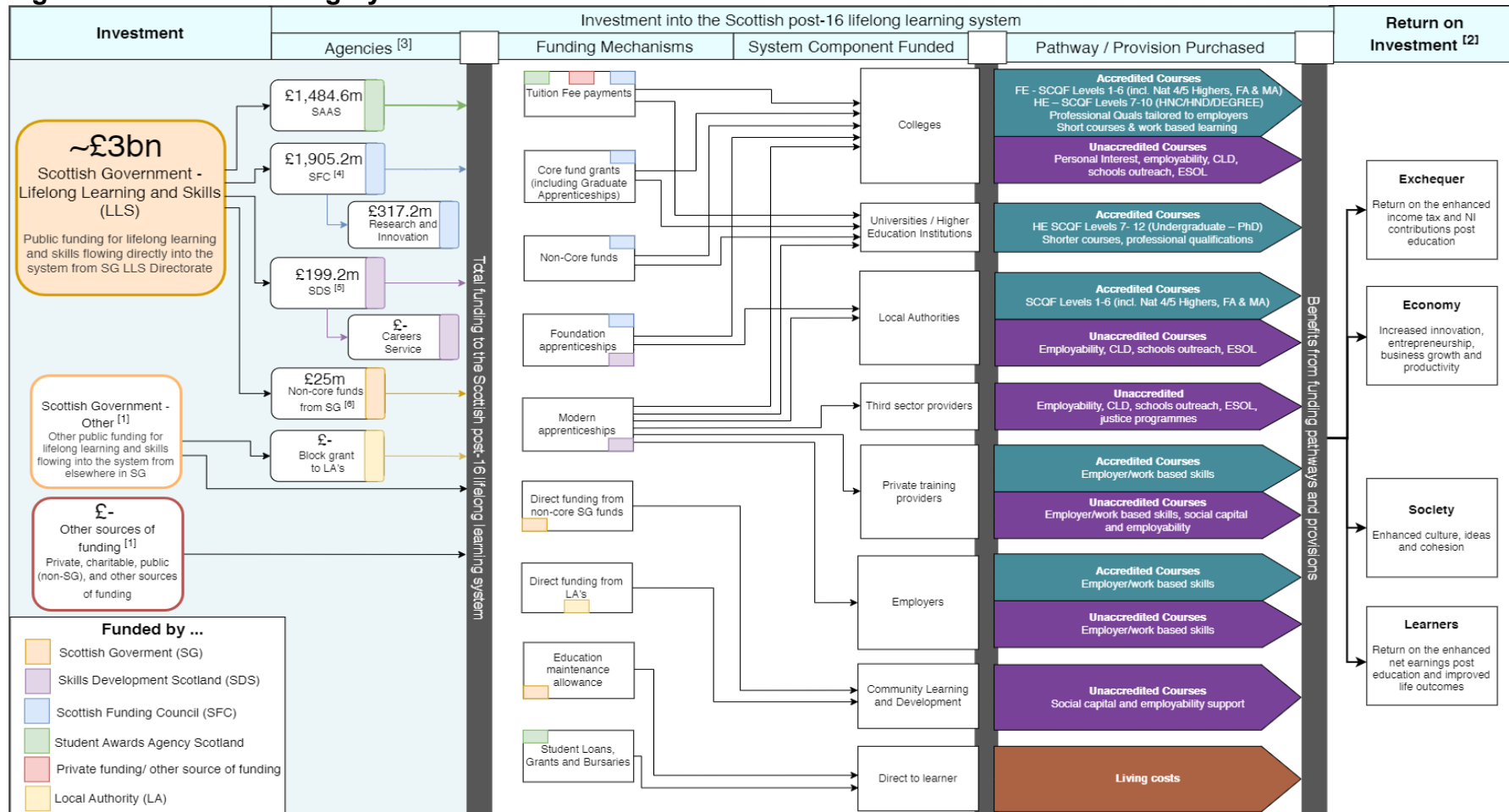
Business need 2 – the need to remove overlapping roles, functions and responsibilities minimising duplication and maximising public value.

Figure 1 below provides a visual illustration of the funding landscape and shows how complex the system is, with fragmentation of funding streams that flow to providers (colleges, universities, training providers, third sector) and learners. Both SFC and SDS are responsible for provision of funding to institutions and employers, whilst SFC and SAAS both deliver student support to learners, either directly or through institutions.

²⁵ [Shared Outcomes Framework](#)

²⁶ [Shared Outcomes Assurance Group](#)

Figure 1: Current Funding System



[1] There are additional funding flows into the system that cannot be easily quantified, such as funding from i) Other directorates in SG. ii) Private funders iii) Other sources of funding.

[2] More detail on the return on investment (RoI) of post-school lifelong learning can be found in the recently published Education and Skills Impact Framework (ESIF) report.

[3] The funding allocated to agencies will include overheads, administration costs and other smaller funding outcomes, which may or may not feed into learner pathways or provisions.

[4] In addition to the costs outlined in [3], SFC's other funding outcomes includes £317.2m to Research and Innovation.

[5] In addition to the costs outlined in [3], SDS's other funding outcomes includes a significant budget proportion assigned to Careers services.

[6] The non-core funds from SG include the Education Maintenance Allowance the "No One Left Behind" (NOLB) employability funding.

There can be unintended consequences as a result of public bodies with responsibility for different elements of funding not necessarily being fully cognisant of the impact of change in one part of the system manifesting elsewhere.

Examples of this were shared during engagement on the Purpose and Principles where colleges spoke about the impact on their income from a reduction in HE tuition fees due to an increase in the number of school leavers going directly to university as a result of the SQA increase in grades during Covid and the impact of this loss on their finances overall. This was cited as something that had not been fully appreciated nor understood across the wider public bodies landscape, or within government, and is reflective of the fragmentation that exists in the system.

A further opportunity that would be enabled by simplification of the funding body landscape is a clearer view and streamlined process through which contributions from other government portfolios would flow to the post-school system. As outlined at section 2.4.2 the funding landscape is complex and simplifying this would help support consideration of issues like financial sustainability and value for money and would further contribute to strengthening the evidence base on which decisions are made.

While the funding models for the system are not in scope of this business case, there is an opportunity to review the costs of maintaining separation of funding functions across a number of public bodies. It makes improvement and simplification of funding models more difficult to achieve. For example, student support is currently split between SAAS and SFC. SAAS has responsibility for provision of the majority of higher education (HE) student support across both colleges and universities. Although these are both demand led, there are very different distribution models attached to this funding. In practice this means that a college student on an FE course in receipt of discretionary student support, provided by their college and drawn down from the SFC, will have a completely different experience of accessing that support than if they were studying a HE level course where they would apply to SAAS directly for their support. While there are important reasons for the different models being used, including demographics, personal circumstances and the nature of courses studied, these differences can represent a challenge in ensuring equity in the approach to student support and is not as person centred as it could be. It also means that there are two reporting mechanisms and systems of data capture providing information on outcomes associated with student support across two organisations that may not enable comparison on outcomes or value for money.

Similar issues are at play in the delivery of apprenticeships where, over time, as a result of the decline in the availability of European funding, responsibility for the funding of Foundation and Graduate apprenticeships has progressively shifted towards SFC and has been provided using core funds. The SFC took over funding of new GAs in 2021/22. While SDS and SFC both fund new and continuing FAs, the SFC has full responsibility for funding new GAs, with GAs applying to SAAS for tuition fee support. Additional structures and governance arrangements have had to be developed and put in place to enable collaboration and information sharing on development and delivery of apprenticeships where SDS and SFC now have shared responsibilities. This has added to the complexity of the existing system.

Business need 3 – the need to address the lack of comparable system-wide data and evidence leading to difficulty in understanding the social and economic value of investment and making it challenging to plan for the future needs of Scotland's economy and society.

A further consequence of the examples above on student support and apprenticeships is the lack of comparable data that results from fragmentation of responsibility across the system and the fact that data flows are often tied to funding as opposed to being tied to the learner.

While in the context of Skills Planning, the January 2022 Audit Scotland – Planning for Skills²⁷ report, highlights the challenges with the existing landscape. The report highlights a lack of consistency on the purpose for which data is captured and used by different organisations and the difficulty that presents in making adequate assessments of value for money at a system level and the challenge of being able to use that data to inform careers information and skills planning.

Attempts had been made to address this through work commissioned by the Enterprise and Skills Strategic Board²⁸. They commissioned the development of an Education and Skills Impact Framework (ESIF) to establish an evidence base that could help inform investment in post-school education and skills considering the return to public investment and the benefits to individual learners and employers.

This resulted in a one off piece of work, delivered by London Economics²⁹, supported by three contextual summaries for modern apprenticeships³⁰, college provision³¹ (both HE and FE) and university provision³². This work predominantly reported on the economic impacts and, in part due to the Covid pandemic and in part due to the challenges of measuring social impact effectively, did not make as much progress on that part of the ask.

The outcome of this work is helpful and the experience of bringing analysts across multiple public bodies together to work collaboratively has led to positive working relationships being established and continuing. However, it has not fundamentally improved the landscape for data collection or improved comparability of data that is being collected by different organisations for different purposes. As the data tends to follow the flow of funding, structural change and simplification of the funding body landscape is more likely to enable a more consistent approach to be taken.

As well as a lack of comparability, there are also inefficiencies in the current system. This is especially true for providers, with colleges in particular having to comply with multiple data and reporting standards associated with the different funding streams they receive. This has an impact on front line services as it increases the “cost to serve” the system. During engagement in the development of the Purpose and Principles examples of additional finance managers being recruited in response to the complexity of the funding environment were given. These are highly paid roles, often in excess of the average salary for a college lecturer.

²⁷ [Planning for skills - Audit Scotland - January 2022](#)

²⁸ [Enterprise and Skills Strategic Board](#)

²⁹ [Education and Skills Impact Framework - Summary Report](#)

³⁰ [Education and Skills Impact Framework \(ESIF\) - modern apprenticeships provision: contextual summary report](#)

³¹ [Education and Skills Impact Framework \(ESIF\) - college provision: contextual summary report](#)

³² [Education and Skills Impact Framework: Universities Summary](#)

Business need 4 – the need to address the lack of system-wide measures of success, supporting enhanced accountability and assurance.

Linked to the points in previous sections, the fragmentation and overlap in responsibility for funding and for providing assurance that money has been spent effectively means there are currently no system-wide measures of success. Each body with responsibility for funding has its own strategic and operational plan and different measures of success.

Building on the logic models³³ underpinning the Purpose and Principles, short, medium and long-term outcomes for the system have now been developed, with input from across the post-school education and skills landscape.

The next step will be to develop a measurement and benefits framework that will enable system-wide measures to be developed.

While this Outline Business Case only considers simplification of the funding body landscape, this is the key enabler to make different choices on future funding models and to ensure that they are delivered in a seamless and efficient way, with a shared purpose and single source of reporting and accountability. Simplification of the funding body landscape will play a key enabling role in achieving the Project level outcomes set out in section 2.3.

2.4.6 Example from Wales

The issues and challenges addressed here are not unique to Scotland. The Welsh Government recently passed the Tertiary Education and Research (Wales) Act³⁴ to establish a new sponsored body responsible for the funding, oversight, strategic direction and leadership of the sector. Medr – the Commission for Tertiary Education and Research, was established in August 2024. This was a response to a review of the Welsh post-compulsory education system that highlighted challenges such as duplication of roles, lack of collaboration and difficulty in following learning pathways, amongst others. To note that in Wales, FE and HE student support continues to be funded separately by Student Finance Wales.

As part of their reform, the Welsh Government conducted a series of consultations and engagements with the sector and public that resulted in several key themes of interest for action³⁵.

The following summary highlights some of the relevant Welsh review conclusions and which are comparable to the Scottish situation:

- The simplification of the funding landscape should offer cross-sector consistency with clear alignment with needs and policy focus, while at the same time avoiding duplication of roles and checks across the sector.
- The simplification should look to integrate into the system a level of flexibility that will enable a funding system and model that puts the emphasis on outcomes for, and employability of, learners.

³³ [Post school education, research and skills outcomes for the purpose and principles \(www.gov.scot\)](https://www.gov.scot)

³⁴ [Tertiary Education and Research \(Wales\) Act | GOV.WALES](https://gov.wales)

³⁵ [Tertiary Education and Research \(Wales\) Bill - Explanatory Memorandum](https://gov.wales)

- Consider the learner journey and that different experiences result in a variety of pathways. These should be integral when developing a strategic plan and new funding landscape.
- Overall need to improve agility and responsiveness of the sector and system as a whole.
- There needs to be appropriate monitoring in place that would offer the security, transparency and reassurance to the public, providers and learners that the aims of the simplification of the landscape are being achieved.

2.5 Business Scope and Key Service requirements

2.5.1 Business scope

Considering the underpinning evidence and the business needs identified in the previous section, the key issues within the system centre around the fragmentation, complexity and lack of consistency in data collection for student support and National Training Programme (particularly apprenticeships) funding. As such, addressing these challenges form the core scope of the Project, without which the Project would not be considered a success. This aligns with the Minister's statement to the parliament on the 5 December 2023:

- “As an initial step, I commit to bringing learner support funding together in one place, and funding for apprenticeship provision together in one place.”

Other areas, such as investigation of whether bringing all provision and student support under one body are also within scope, although this is considered an “optional” change – e.g. something that could potentially support the objectives identified in section 2.4.1 if value for money can be justified and it is considered affordable.

2.5.2 Key Service Requirements

The key service requirements to deliver on the core scope are:

1. Simplify operational responsibility across the post-school funding landscape by reducing the number of bodies responsible for administering funding to the system and reducing the overlap of responsibilities of funding bodies.
 - a. The Project must result in the consolidation of responsibility for funding of provision and funding for student support into fewer public bodies than is the case in the current landscape. This will also enable enhanced approaches to assurance and accountability to be developed.
2. Reduce duplication, enable understanding of the unit cost of delivery and maximise investment in provision of services and support to learners and employers.
 - a. The Project must deliver mapping of funding flows, systems and data across the system. Identify all functional groupings of staff and corporate functions associated with the administration, accountability and assurance of funding through the system and be able to develop

robust assessments of where efficiencies can be gained and the likely cashable savings over time.

3. Improve the availability and comparability of data.
 - a. The Project must enable the mapping of current data reporting requirements and systems and develop options for how these can be improved in a new system.

4. Make the post-school funding body landscape more equitable, agile and responsive to the needs of users, the economy and society.
 - a. The Project must enable, through the consolidation of responsibility for operational delivery of funding into the system, different funding models for provision and student support to be developed and delivered, making the system more responsive to the needs of users and enabling support to be targeted to those who need it most.

2.5.3 Research

Scottish Universities, like Universities in England, Wales and Northern Ireland, receive funding to support their research through a combination of underpinning funding (provided by the respective governments) and Project specific funding from a range of other systems including UKRI - referred to as the dual support system.

Scottish Government's underpinning core research funding, delivered via the SFC, provides a long-term, stable source of investment and enables universities to leverage research funding from a range of other sources (public and private) and exploit their research to improve Scotland's economy.

Research funding structures and processes were not raised as significant issues during the Independent Review of the Skills Delivery Landscape or the development of the Purpose and Principles. Scotland already boasts a globally recognised research and knowledge exchange sector. The most recent Research Excellence Framework (REF) – a UK-wide peer assessment of research quality - found that all of Scotland's universities are conducting world-leading research and that world-leading research is taking place across each of the 34 disciplines (Units of Assessment) assessed. In addition, Scotland's research and innovation system is part of a broader, four nations system. The stable funding provided from the Scottish Government via the SFC reflects that research is a long-term endeavour, that necessitates year on year investment.

This existing strength of the sector, its interconnectedness in the broader UK-wide system, and the potential for creating long-term negative unintended consequences through short-term action, make it essential that any change is underpinned by a strong rational and evidence base and that it considers the broader research and innovation system as a whole, both in the UK and internationally.

There is existing evidence of the value of SFC funded research and knowledge exchange. Further work is underway to develop a better understanding of the totality of the research funding landscape, which is a complex picture with multiple interactions across the UK and internationally.

Separating the funding for research from wider funding now would likely trigger radical reform of a part of the system where there isn't a documented clear case for change. In addition, throughout the development of the Purpose and Principles, universities and unions both argued strongly for the mutually reinforcing connection between university research and learning and teaching to be maintained.

As such, at this stage, work is proceeding on the assumption that funding of research and knowledge exchange is within the scope of the simplified funding body landscape, but that any change must enable the continued operation of the existing funding model as well as being flexible enough to accommodate any future changes, if desirable. This will minimise disruption to how research funding is delivered and mitigate the risk of unintended consequences while reform is underway.

2.6 Benefits, Risks, Constraints and Dependencies

2.6.1 Benefits

As set out earlier in this section, and further elaborated on in the Socio-Economic Case (Section 3), this is an enabling project and brings significant opportunities in regard to efficiencies in the distribution of the over £2 billion invested annually in the post-school education and skills system as well as further economic and social benefits that could be unlocked for learners and employers as a result of changes facilitated by simplification. However, given that to realise these wider benefits, further changes to the system outside of the scope of this project need to be realised, these benefits have not been captured here and will be included in the Programme level benefits narrative for post-school Reform.

The benefits specified in table 3 below will result directly from simplification of the funding body landscape and have been derived from and are consistent with the logic model set out in Section 2.4.

Table 3: Benefits

Benefit	Beneficiary	Benefit classification	Objective alignment
Improved clarity and transparency of funding for provision across the system.	Policymakers Providers Delivery partners Learners	Qualitative	1, 2 & 3
Improved clarity in roles and responsibilities of the funding body/ies.	Policymakers Providers Employers Learners Public Bodies	Qualitative	1
Better informed and cost effective allocation of funding.	Policymakers Providers Learners Employers Public Bodies	Qualitative & Quantitative	2,3 & 4
Funding is allocated to where it's needed the most.	Policymakers Delivery Partners Providers Learners	Qualitative & Quantitative	1, 3 & 4
Cost savings.	Policymakers	Cash-releasing	2

2.6.2 Risks

A Risk Management Strategy is in place for this Project and is monitored through the appropriate governance mechanisms, such as the Programme Board and the Project Board. Further details on the Project's Risk Management approach can be found in the Management case. This approach will be further developed in subsequent phases of the Project both to manage risks to implementation but also to ensure that benefits are adequately captured.

The main risks associated with this Project are listed below in Table 4. These relate to service delivery risks, business risks and external risks. These are summarised below with counter measures for mitigation and management.

Table 4: Risks

Risk name	Risk description	Mitigations
Service Delivery Risks		
Culture	IF: structural change is not matched with a programme of cultural change to develop systems leadership and to embed the flexibility and transparency these changes need to deliver THEN: planned reform will not deliver all of the intended benefits RESULTING IN: significant disruption to the system with reduced benefits to end users.	Specific focus on cultural change in next phase of detailed design and delivery work. Co-production of future approaches with public bodies Development of new vision, strategic and operational plans for

		bodies with new functions.
Financial	<p>IF: there is a risk to the budget for implementing reform through the preferred approach</p> <p>THEN: we will have to reconsider our ambitions</p> <p>RESULTING IN: the inability to implement change to reduce duplication and secure efficiencies in the funding body landscape.</p>	Ongoing discussions to clarify the budget available to deliver reform.
Strategic – Business Case	<p>IF: we cannot secure appropriate information to develop an informed business case</p> <p>THEN: there is a risk that decisions may impact the public bodies delivering BAU or future reform benefits</p> <p>RESULTING IN: reduced benefits and, potentially, a more fragmented system that doesn't meet the needs for operational or service delivery.</p>	To continually review and monitor risk to ensure steps are taken to access relevant information in a timely manner.
People – Strategic Reform	<p>IF: we progress the work to complete staff transfers and then there are restrictions on costs</p> <p>THEN: there is a risk to staff transfers and the potential for staff leaving with vital knowledge and experience of delivery</p> <p>RESULTING IN: reduced options for reform and could impact the intended benefits.</p>	To continually review and monitor risk; engage with staff and recognised trade unions and to ensure appropriate steps are taken when considering the impact of structural changes, with ongoing engagement within public bodies.
People – Strategic Reform	<p>IF: we fail to support the public bodies to communicate change effectively and appropriately with their staff</p> <p>THEN: this will create uncertainty within the public bodies' workforce</p> <p>RESULTING IN: less awareness of the impact of change and a reduced buy-in to new structures.</p>	Ongoing engagement with recognised trade unions and to seek early advice from public bodies HR and legal teams, as well as external professional advice if required on appropriate processes. To set out a critical timeline of relevant consultations.
Technology	<p>IF: we are unable to clarify the systems and data requirements of the public bodies</p> <p>THEN: we will be unable to ensure appropriate steps are in place for the change, implementation, migration or</p>	Ongoing engagement with Public Bodies to clarify data and system requirements as part of the Project.

	improvement of these systems and their data sets through the transformation programme RESULTING IN: incomplete or missing data with which to inform the outcomes of the transformation programme and funding through the system.	Detailed design group including technical expertise from all public bodies.
Business Risks		
Resourcing	IF: we fail to resource the project sufficiently with the right skills and expertise THEN: we will not have capacity and expertise to deliver to the required quality standard. RESULTING IN: potential risk to the delivery of the project.	To utilise Project and Programme Boards to raise resourcing issues.
External Risks		
Continued Inflation and Impact on Public Finances	IF the impact of inflation and increasing costs continue to have significant impacts on government budgets THEN continued pressures on budgets will impact the ability to deliver reform, both in scope and scale RESULTING IN significant impact on the financial sustainability of institutions, employers and independent training providers.	Ongoing discussions to clarify the budget available to deliver reform.
AI and other technological developments	IF significant technological change, including AI, has a material and immediate impact on the post-school education system THEN the system will have to focus any capacity and capability to quickly and radically change their processes or structures RESULTING in no or limited capacity for reform, a refocussing of funds to support meeting this challenge and a delay to the implementation of reform.	Ongoing engagement with Public Bodies to clarify data and system requirements as part of the Project. To utilise Project and Programme Boards to raise risks.

2.6.3 Constraints

The main constraints identified in respect to this Project relate to the availability of funding and resources, and the need for there to be internal Scottish Government assurance to proceed with the preferred way forward to simplify the post-school funding body landscape:

- **Availability of funding** – the upfront costs of delivering this change are as yet unquantified and there is currently no budget to deliver this change in projected future budget lines. As costs become clearer this case will be made. However, given the current and future financial pressures on public sector budgets, it may not be possible to secure sufficient funds to implement this change, even though it may represent a spend-to-save option.
- **Resources** – As with availability of funding, Government and public body resources are under pressure and the size of the public sector workforce is required to reduce – this places limitations on recruitment and availability of the people needed to take forward this critical piece of work.

Other constraints (or pre-set parameters) that should be considered when developing and assessing options include:

- Drawing on existing legal frameworks where possible.
- Being compatible with the Ministerial control framework in place on creation of new public bodies which includes a presumption against the establishment of new bodies.
- Enabling the ONS classification of universities and the principle of academic independence to be preserved.

This Government is committed to progressing with this Project and working with stakeholders to ensure a positive outcome.

The Project does rely on legislative changes through the post-school Education Reform (Scotland) Bill and the Bill being passed through Parliament. Subsequent Parliamentary scrutiny of the Bill may create additional requirements for the Project that have not been taken account of in this business case. Therefore, depending on the legislative process this may impact the timescales to achieve the aims of this Project, set out in this business case.

Any options to simplify the post-school funding body landscape must go through the Scottish Government's Ministerial Control Framework assurance process, which includes the need to have a business case, approved by Executive Team in Investment Mode and approval from Cabinet.

2.6.4 Dependencies

The main dependencies for this Project are around the connection to Education Reform and capacity and capability. These dependencies are important to consider as they are important to the progress of the Project and ensuring that activities can be developed and operationalised. The following list provides more information:

- **Connection to Education Reform** – while there are no specific dependencies between the Project and other Projects progressing as part of the wider

Education and Skills programme, connections must be maintained to ensure that the school and post-school public bodies landscapes are mutually reinforcing.

- **Capacity and capability** – successful delivery of the Project is dependent on people with specialist business analysis, HR, data and systems being available to support.
- **Collaborative Working Arrangements** – successful delivery of the Project is also dependent on collaborative working arrangements from all of the public bodies (SDS, SAAS, SFC), together with the Scottish Government, to deliver the Project and future benefits of reform.

2.6.5 – Controls and Mitigating Actions

The risks, constraints and dependencies outlined in this case will be mitigated and managed through:

- Establishing the right, collaborative governance and delivery structures, developing in partnership with public bodies once Ministers have made a decision on the preferred way forward.
- Maintaining and enhancing the portfolio approach to management of reform across the education and skills portfolio. This will include sharing lessons learned, resources and exploring further opportunities for alignment.
- Ensuring regular, relevant communications and engagement with staff in public bodies affected by the change, their recognised trade unions and wider stakeholders.
- Continuing to develop the evidence base as plans progress from development to delivery to provide increased certainty around likely costs and benefits.
- Making dedicated resource available to support transition in order to minimise disruption to Business as Usual activity which must continue to deliver for learners and employers across Scotland whilst reform is underway.

The risks, constraints and dependencies are managed by the various governance mechanisms, such as the Programme and Project Boards, who meet regularly to track and resolve issues. To make progress with the Project, and manage risks, constraints and dependencies, regular updates are reported to the various Project Governance Boards. Further details can be found in Section 6: Management Case.

3. Socio-Economic Case

3.1. Introduction

The purpose of the Socio-Economic case is to present the options that deliver best public value to society, including wider societal effects, and the economic appraisal of short-listed options to deliver the Project. The following sections outline the:

- Long-listed options and their appraisal,
- Detailed short-list appraisal, and
- Recommendation based on the analysis presented.

3.2. Long-listed options and appraisal

The purpose of long-list appraisal is to narrow down possible options to identify a short-list of viable options for detailed appraisal, that meet the requirement of delivering the spending objectives and satisfy the critical success factors while taking into account the risks, constraints and dependencies set out in the Strategic Case.

3.2.1 Longlist options

Eight long-listed options with sub-options for different delivery methods were developed as a result of several workshops and engagement with policy areas that attempt to address the objectives and business needs set out in the Strategic Case. These are presented in Table 5 below.

Table 5: Long-list of options

Option 1	Business as usual.	
Options to solely move provision		
Option	Provision	Student Support
Option 2	Movement of National Training Programmes (NTP) funding to SDS.	No changes.
Option 3	Movement of NTP funding and functions to <ul style="list-style-type: none"> a. SFC b. SAAS c. SDS 	No changes.
Options to solely move student support		
Option	Provision	Student Support
Option 4	No changes.	All student support funding delivered through <ul style="list-style-type: none"> a. SFC b. SAAS c. SDS
Options to move both provision and student support		
Option	Provision	Student Support
Option 5	Movement of NTP funding to SDS.	Movement of FE student support funding to SAAS.
Option 6	Movement of NTP funding and functions to <ul style="list-style-type: none"> a. SFC b. SFC c. SFC d. SAAS e. SDS f. SDS g. SDS 	All student support funding delivered through <ul style="list-style-type: none"> a. SAAS b. SFC (SFB) c. SDS d. SAAS e. SAAS f. SFC g. SDS
Option 7	Movement of all provision and functions to <ul style="list-style-type: none"> a. SAAS b. SDS c. SDS 	All student support funding delivered through <ul style="list-style-type: none"> a. SAAS (SFB) b. SAAS c. SDS (SFB)
Options to create an entirely new funding body for provision and student support		
Option 8	A new single funding body.	

3.2.3. Critical success factors

To assess options using a consistent method, a set of critical success factors (CSF) closely related to those proposed by HM Treasury were identified. This is a key part of the standard methodology employed for evaluating long-list options and provides a

useful framework to be able to score options against each other. The CSFs are outlined below.

Strategic fit and meeting business needs - How well the option meets the agreed spending objectives, related business needs and service requirements, how well the option provides holistic fit and synergy with other strategies.

In the context of this project, this means:

- the option must support the achievement of strategic priorities and spending objectives as outlined in the SOC, such as the Purpose & Principles, the Public Service Reform, NSET.
- the option provides holistic fit and synergy with other SG strategies and programmes.
- the option must comply with SG policy, for example on the establishment of new public bodies.
- transparency, fairness and accessibility of provision is incorporated through the core of the programme.
- structures, governance, operating frameworks, guidance and standards delivered through the option deliver efficient, impactful services.
- the option results in a more agile and responsive system that is accountable, trusted to deliver and subject to effective governance.

Potential value for money - How well the option optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks.

In the context of this project, this means how well the option:

- recognises the value and basis of the system used for the distribution of investment in learners.
- contributes to a competitive and inclusive economy, and the wellbeing economy.
- makes the best use of public funds, so removes unnecessary duplication and overlap in the structure of the bodies to ensure that resources and capacity are aligned to priorities, whilst optimising social value in terms of potential costs, benefits, efficiencies and risks therefore taking care that adverse impacts are minimised.
- how well the option promotes best value across the delivery of funding by improving quality, efficiency and effectiveness.

Supplier capacity and capability, operational fit - How well the option matches the ability of potential suppliers to deliver the required services and appeals to the supply side.

In the context of the SOC, this means how well the option:

- provides necessary staff and systems/IT skills and capabilities to deliver the funding body functions and activities.
- provides holistic operational fit and synergy with operations, processes and components of the funding landscape.

Potential affordability - How well the option can be financed from available funds, balance of investment against the improved outcomes aligns with resourcing constraints.

In the context of this project, this means:

- whether the option is affordable, noting budget pressures.

Potential achievability - How well the option is likely to be delivered given an organisation's ability to respond to the changes required, how well the option matches the level of available skills required for successful delivery?

In the context of this project, this means:

- it must be possible to deliver the option from a legal perspective – is there going to be a need for legislative change, if so what is the scale of change required and is it reasonable.
- consideration of timescales set by Ministers.
- the extent to which there is appropriate resourcing, and relevant Project management with the capacity and capability to deliver the transformation.
- Whether there is the possibility of creating the right leadership and delivery culture to secure the benefits of reform.

3.2.3 Long-list Options Assessment

As per the key principles from the HMT Green Book Guidance, options in the long-list are to be discounted if they fail to deliver the spending objectives and CSFs for the Project; appear unlikely to deliver sufficient benefits, considering the intention is to deliver Value for Money; are clearly impractical/unfeasible; or an option is clearly inferior to another, because it has greater costs and lower benefits; if they violate constraints, such as are clearly unaffordable or too risky; or if options are sufficiently similar to allow a single representative option to be selected for detailed analysis.

SG policy officials and analysts collectively assessed all long-list options against the spending objectives and CSFs. Each option was rated as “red”, “amber”, or “green”, expressing the delivery structure not satisfying, partially satisfying, or fully satisfying the appropriate appraisal criteria. During the assessment further consideration of constraints, dependencies, unmonetised and unquantifiable factors as well as unintended consequences was taken into account, based on currently available evidence.

Legal Considerations

In development and consideration of the long list of options, legal considerations, primarily focussed on the legislative requirements to facilitate delivery of the options, were explored with SGLD colleagues. These considerations were scored as part of the Critical Success Factor 5 - Potential achievability. Other factors contributing to CSF 5 include resourcing constraints.

A further consideration was the risk of ONS reclassification that could result if changes to the post-school funding body landscape are deemed to enhance the degree of control that Ministers have on universities.

While any option could technically be achieved through changes to primary legislation, not all are advisable. Therefore, it was agreed that any option that had been deemed inadvisable based on initial legal advice³⁶ was rated red; options that would require changes to primary legislation in order to be achievable but were advised to be feasible following initial legal advice, were rated amber; and options that would not require any changes to primary legislation and were practicable to pursue were rated green.

The outcome of the long-list assessment can be found below in Table 6. More detailed description of the assessment can be found in Annex C.

³⁶ The reasons given for options being deemed inadvisable were where the option required repealing and transferring responsibility of functions already conferred on one body in statute to another body with no statutory underpinning or existing experience of exercising those functions. Such options, while possible, were deemed higher risk as they reduce certainty of rights and obligations in law and increase lack of transparency and accountability, the legal mechanisms would become more complex and less accessible and therefore inadvisable.

Table 6: Long-list assessment RAG ratings (R=red, A=amber, G=green, N=not applicable)

Option		1. To simplify operational responsibility across the post-school funding landscape.	2. To reduce costs and increase efficiencies in operation of system.	3. To improve availability and quality of data collection.	4. To enable targeted and equitable distribution of funding to support the learner.	1. Strategic fit and meeting business needs	2. Potential value for money	3. Supplier capacity and capability; operational fit	4. Potential affordability	5. Potential achievability
1	Business as usual	R	R	R	R	N	N	N	N	N
2	Movement of NTP funding only to SDS from SFC No changes to student support funding arrangements	R	R	A	R	R	A	G	G	R
3a	Movement of NTP funding and staff to SFC	A	A	A	A	A	G	A	A	A
3b	Movement of NTP funding and staff to SAAS	R	R	R	R	R	R	A	A	R
3c	Movement of NTP funding and staff to SDS	R	R	R	R	R	A	G	A	R
4a	All student support funding delivered through SFC. No changes to NTP funding or wider provision arrangements	R	R	A	A	R	R	A	A	A
4b	All student support funding delivered through SAAS. No changes to NTP funding or wider provision arrangements	A	A	A	A	A	G	G	A	A
4c	All student support funding delivered through SDS. No changes to NTP funding or wider provision arrangements	R	R	R	A	R	R	R	A	R

5	Movement of NTP funding only to SDS from SFC and movement of FE student support funding (staff moves to be reviewed at technical group stage) from SFC to SAAS	A	A	A	A	A	G	G	A	R
6a	Movement of NTP funding and staff to SFC and all student support funding delivered through SAAS	G	G	G	G	G	G	A	A	A
6b	Movement of NTP funding and staff to SFC and all student support funding delivered through SFC - i.e. single funding body built on SFC systems and structures	G	G	G	G	G	A	A	A	A
6c	Movement of NTP funding and staff to SFC and all student support funding delivered through SDS	A	A	G	G	A	R	R	A	R
6d	Movement of NTP funding and staff to SAAS and all student support funding delivered through SAAS	A	A	A	A	A	R	A	A	R
6e	Movement of NTP funding and staff to SDS and all student support funding delivered through SAAS	A	A	A	A	A	A	G	A	R
6f	Movement of NTP funding and staff to SDS and all student support funding delivered through SFC	R	R	A	A	R	R	A	A	R
6g	Movement of NTP funding and staff to SDS and all student support funding delivered through SDS	R	R	A	A	R	R	A	A	R
7a	Movement of all provision and staff to SAAS and all student support funding delivered through SAAS - i.e. a single funding body built on SAAS systems and structures	A	G	G	G	A	A	A	A	R

7b	Movement of all provision and staff to SDS and all student support funding delivered through SAAS	A	G	A	G	A	A	A	A	R
7c	Movement of all provision and staff to SDS and all student support funding delivered through SDS - e.g. a single funding body built on SDS systems and structures	A	G	G	G	A	A	A	A	R
8	A new single funding body	G	G	G	G	A	A	A	A	A

3.3. Short-listed options

As per the HMT Green Book Guidance, all shortlisted options must be viable and meet the requirement of delivering the objectives. The shortlist must include Business as Usual, a realistic and achievable 'do minimum' that meets essential requirements, the preferred way forward if different to 'do minimum', and any other options that have been carried forward.

The short-list options carried forward for detailed appraisal are presented in Table 7.

Table 7: Short-list of options carried forward to OBC for detailed appraisal

Business as usual	1. Business as usual.
Preferred way forward; Do minimum	2. Movement of NTP funding and functions to SFC and all student support funding delivered through SAAS.
More ambitious	3. Movement of NTP funding and functions to SFC and all student support funding delivered through SFC.

Options besides BAU which sufficiently satisfy the assessment criteria are movement of NTP funding and functions to SFC and all student support funding delivered through SAAS (previously Option 6a, now Option 2), assessed as the preferred way forward and Movement of NTP funding and functions to SFC and All student support funding delivered through SFC (previously Option 6b, now Option 3), assessed as the more ambitious way forward.

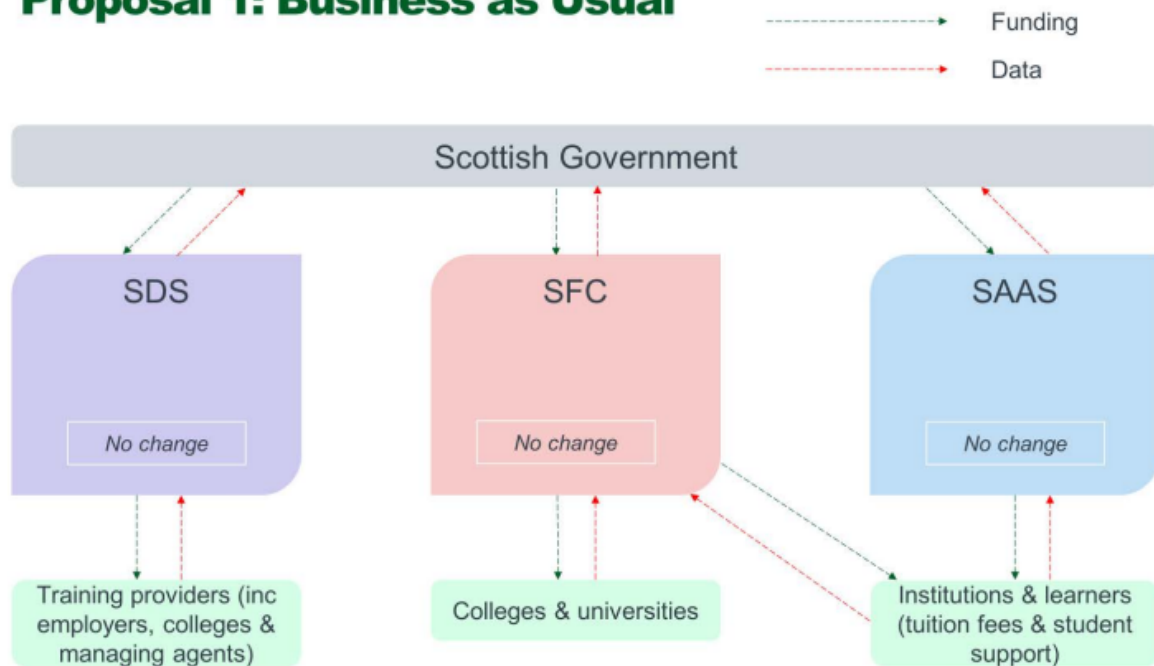
Although several of the options in the longlist at least partially meet the objectives and strategic ambitions for the Project, they either do not fulfil the totality of the core scope of the Project, leaving the landscape fragmented and/or are more challenging from legal and/or value for money perspectives. The short-listed options, are sufficiently similar to these options by either combining some of these options or offering a similar solution. They are also more straightforward from a legislative perspective and more favourable in value for money terms.

More detailed descriptions of shortlisted options are as follows:

Option 1: Business as usual

Post-school education and skills funding would continue to be delivered as now through the three public bodies (i.e. SFC, SAAS and SDS).

Proposal 1: Business as Usual



Option 2: Consolidate all provision funding within one public body (SFC) and all student support funding within one public body (SAAS)

This means:

- moving National Training Programmes (including provision for apprenticeships) funding and functions from SDS to SFC; and
- moving FE student support funding and functions from SFC to SAAS so that all student support funding is delivered through SAAS.

Option 2 is likely to require the Further and Higher Education (Scotland) Act 2005³⁷ to be amended to enable all provision, including apprenticeships, to be funded by

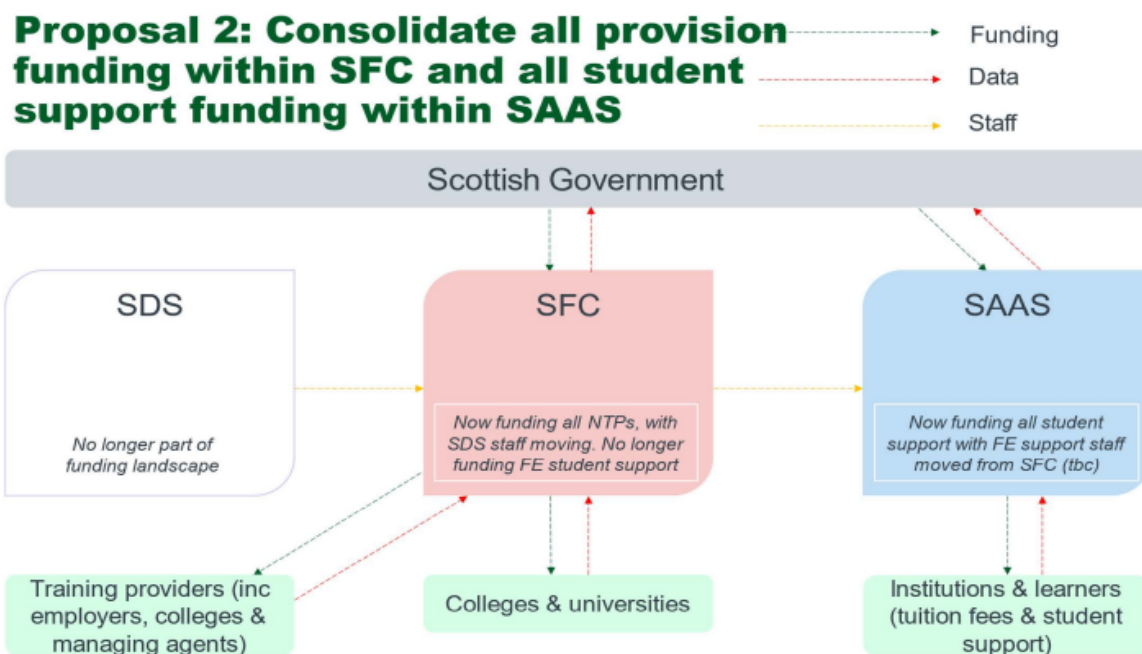
³⁷ Options 2 and 3 are likely to require amendments to be made to the Further and Higher Education (Scotland) Act 2005. The 2005 Act resulted in the establishment of the Scottish Funding Council, merging the previously separate Further Education Funding Council and Higher Education Funding Council. The Act places a duty on the Scottish Funding Council to secure the coherent provision of high quality fundable further and higher education in carrying out their functions. An expansion of these functions to include other post-school learning and skills was considered preferable and more straightforward than other longlisted options for change which would have necessitated more substantial legislative change to enable the transfer of functions to a public body not currently underpinned by statute.

one public body (i.e. SFC) and all student support to be funded by one body (i.e. SAAS).

NTP funding, data, systems and staff needed to support delivery would be transferred from SDS to SFC. This would result in a single public body with responsibility for all types of provision.

In Option 2, SFC would transfer responsibility and funding for administering FE student support funding to SAAS. Details of funding, staffing and system changes will be worked through with technical groups that the Scottish Government will convene, including with HR, trade unions and groups of staff most likely to be impacted by reform.

Research would remain with SFC. This would enable the link between research and learning and teaching, highlighted as being of importance during development of the Purpose and Principles, to be maintained.



Option 3: Consolidate all provision funding and all student support funding within one public body (SFC)

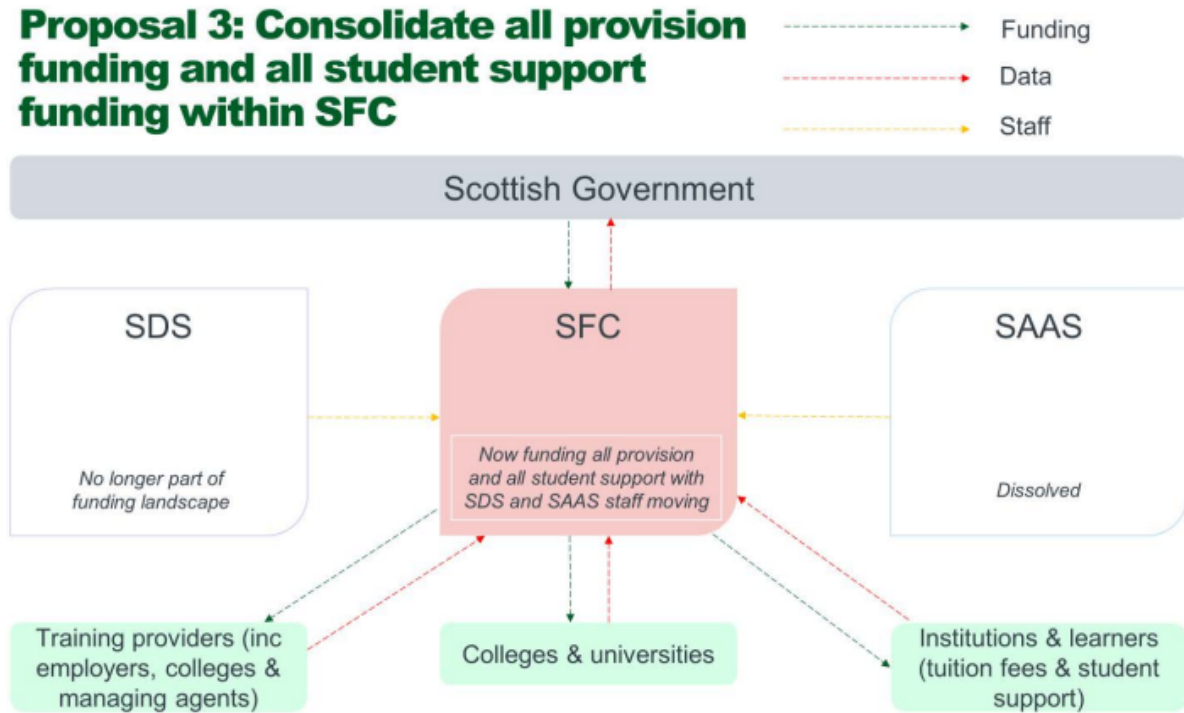
This means:

- moving National Training Programmes (including provision for apprenticeships) and funding and functions from SDS to SFC; and
- moving SAAS student support funding and functions to SFC.

Option 3 would see all provision funding and all student support funding delivered by a single body (i.e. SFC). As with Option 2, this is likely to require amendment to the Further and Higher Education (Scotland) Act 2005. This would result in National Training Programmes funding, systems, data and staff being transferred from SDS to SFC. This would give the newly established body responsibility for all types of

provision as well as full responsibility for all FE and HE student support with funding and potentially some staff moving from SAAS to support this change. This would result in the dissolution of SAAS as a separate entity, with student support functions and resources being merged into SFC. This would enable the maintenance of the ONS classification of universities by ensuring that funding flows through a NDPB at arm's length from Ministers.

Proposal 3: Consolidate all provision funding and all student support funding within SFC



Research would remain with SFC. This would enable the link between research and learning and teaching, highlighted as being of importance during development of the Purpose and Principles, to be maintained.

3.4. Shortlist appraisal

3.4.1. Chosen approach to short-list appraisal

As the Strategic Case has highlighted, this project is ultimately about structural change, where the benefits relate to creating conditions to improve the system, and are therefore not easily quantifiable or monetisable. This means that cost-benefit analysis (CBA) is not suitable for appraisal.

In such circumstances, the alternative approach recommended by the Green Book is to use cost-effectiveness analysis (CEA). This approach requires an effectiveness measure which was derived from a Multi-Criteria Decision Analysis (MCDA). The use of MCDA also provides Ministers with additional information on how the outcomes vary by options and incorporates stakeholder views as set out below.

An HMT Green Book approved method, MCDA assesses the performance of options against set criteria, taking into account the different viewpoints and perspectives of key stakeholders. It is used widely across the public sector in appraisals that do not rely predominantly on monetary valuations and facilitates wider engagement in the process. MCDA is a well-established technique that helps decision-makers make choices between alternative options when these are required to achieve multiple specific objectives. It is particularly effective when there is a mix of qualitative and quantitative criteria not directly comparable against each other and when the perspectives of multiple stakeholders may need to be considered, as is the case here. It is important to repeat that MCDA is strictly an analysis of non-monetisable impacts.

3.4.2. MCDA methodology

Criteria

The criteria for the MCDA workshop were developed with input from policy leads across the Scottish Government's Lifelong Learning and Skills Directorate and with input from economists, analysts and other colleagues in Government with experience of applying MCDA approaches.

The criteria sets are closely aligned to the business needs identified in the Strategic Case, which flow from the Purpose and Principles and were designed to test the deliverability of the options and the extent to which the options would meet the business needs.

The criteria against which these options were assessed, are set out in tables 8-12 below.

Table 8: Criteria Set 1 – Simplicity and Accountability

Criteria	Description
1. Simplify and clarify responsibility for governance and assurance of all aspects of the post-school system, allowing for action to be taken when standards are not met.	To what extent does the option deliver simple and clear responsibility for funding all forms of provision and all forms of student support (eliminating overlapping responsibility), providing Scottish Government and the Scottish Parliament with clear system-wide evidence of effective and efficient organisational performance and delivery?

Table 9: Criteria Set 2 – Operational efficiency

Criteria	Description
2. Improve operational efficiencies within the post-school funding landscape.	To what extent does the option deliver non-monetisable operational efficiencies, such as, but not limited to enhanced knowledge sharing, reduction in number of back-office systems and services that have to be procured and maintained?
3. Enable efficiencies within the funding recipient landscape.	To what extent does the option enable overheads to be reduced across the system e.g., Is it likely to be easier and less resource intensive for a college, university or training provider to navigate and satisfy reporting requirements?

Table 10: Criteria Set 3 – Data quality, availability and comparability

Criteria	Description
4. Enable best use of existing data.	To what extent does the option create transparency in data systems and improve access to existing data?
5. Enable improvement of quality, comparability and fitness for purpose of future data collection.	To what extent does the option enable collection of consistent, comparable, timely data fit for purpose, to enable accurate reporting on system level outcomes, e.g., widening access, completion rates across all forms of provision, and an improved evidence base for policy making?

Table 11: Criteria Set 4 – Equity and agility

Criteria	Description
6. Enable more targeted, equitable and sustainable distribution of student support funding.	To what extent does the option create the conditions that will enable different funding approaches to be considered, analysed and implemented, making student support more targeted so that it has maximum impact, is equitable and sustainable?
7. Enable agile and responsive funding models across all forms of provision.	To what extent does the option create the conditions that will enable different funding models, analysis and approaches to achieving parity of esteem in provision e.g., opportunity to flex funding in-year in support of FE/Apprenticeships/HE/upskilling/reskilling provision? To what extent does the option enable a flexible and adaptable funding system, particularly in relation to its responsiveness to social and economic priorities?

Table 12: Criteria Set 5 – Implementation and risk

Criteria	Description
8. Deliverability of options.	How well can this option be delivered by the Scottish Government and existing public bodies within suitable timescales? How easily, quickly and efficiently can the option be delivered considering the scale of change?
9. Deliverability of outcomes.	How well is the option likely to deliver on its desired purpose?
10. Disruption.	Which option is least likely to cause disruption to delivery of funding across the system, including to staff in scope of transferring via TUPE/COSOP arrangements; changes to staff processes and responsibilities; transferring and changing data systems; and policy processes as a result of the proposed option?

Ranking of options

An MCDA workshop with internal and external stakeholders was held on 5th September 2024 to rank the options against key criteria. Participants³⁸ included policy officials from the Scottish Government, participants from the three funding bodies (SDS, SFC and SAAS) as well as participants from colleges, universities and Independent Training Providers who are members of the Scottish Training Federation.

³⁸ There was a total of 19 participants: 4 from Scottish Government, 3 from each of the three public bodies, 3 from Colleges Scotland, 2 from Universities Scotland and 1 Independent Training Provider.

Participants were invited based on their knowledge and expertise of a range of different elements of the funding body landscape, both from a delivery and customer perspective and were invited to share their views and experience, rather than their organisations' position in discussion of the options and criteria.

Participants were asked to consider each criterion in turn and to rank the three options based on their ability to meet it, relative to the other 2 options (including Business as Usual). If an option ranked 1st, then it was considered the best option for meeting that criterion. If an option ranked 3rd, then it was considered the worst option for meeting that criterion. Options could also be ranked equally if the participant was not able to make a distinction between two or more options for a specific criterion.

Box 1: SDS participation in the MCDA workshop

Participants from SDS had questions and reservations about the application of MCDA as an approach and the process to develop the criteria, and did not feel there had been adequate preparation or explanation of what would be required at the workshop to be able to fully participate.

SDS registered this view in writing the day before the session and during the workshop itself. While SDS participants did participate in the discussion, they did not feel able to make an informed judgement on the options based on the criteria. The following form of words was included in all responses and each option was ranked equally against each criterion.

"I find it difficult to rank the 3 options presented without a greater understanding of the complexity and strengths of the current delivery model, and the future target operating model for the change options.

The lack of robust data and evidence and discussion and information provided today does not allow me to complete this process at this stage in an informed manner.

On that basis I have scored all three options as rank 3 (worst) at this time."

In line with best practice, these responses have been included in the analysis. Their inclusion/exclusion does not impact the overall results.

Weighting

Weighting is applied across criteria when ranking options to account for their relative importance. An equal weighting was applied in the main analysis to each of the five criteria sets and each criterion within them to allow these to be considered equally important.

Separate sensitivity analysis was undertaken to examine the extent to which the weighting affects the overall results. The results for this can be found in section 3.4.5.

3.4.3 MCDA summary results

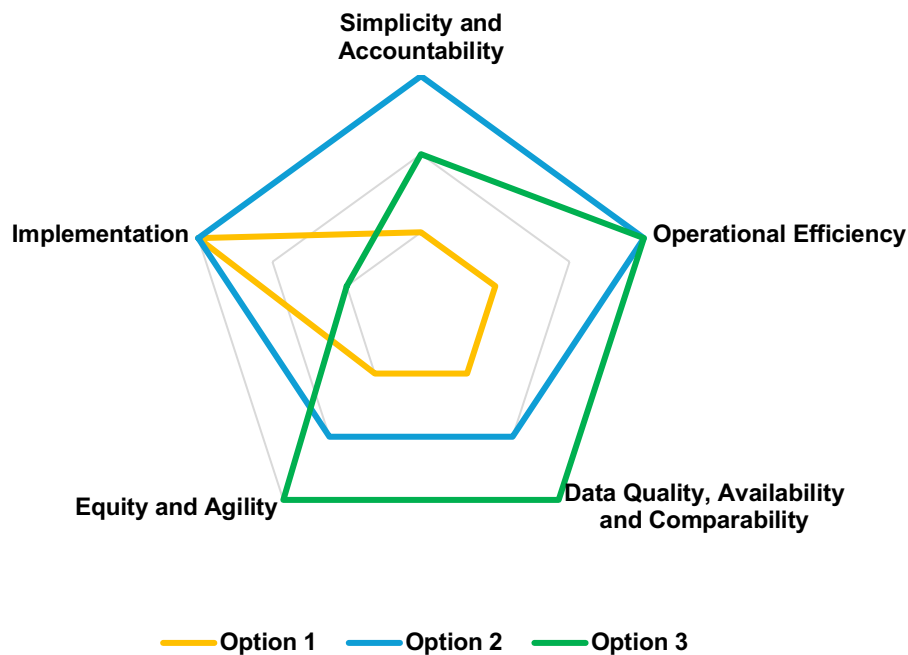
Table 13 below shows the summary results of the MCDA workshop for each option by criteria set.

Table 13: Ranking of options against each criteria set (1 = best, 3 = worst)

Criteria Set		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
1	Simplicity and Accountability	3	1	2
2	Operational Efficiency	3	1	1
3	Data Quality, Availability and Comparability	3	2	1
4	Equity and Agility	3	2	1
5	Implementation	1	1	3
Sum of ranks		13	7	8
Overall result		3	1	2

The below radar diagram (Figure 2) provides a visual representation of how each option ranked against the different criteria sets. The closer to the edge, the higher the ranking. For example, Option 3 ranked 1st in “Equity and Agility”, whereas Option 1 ranked 3rd.

Figure 2: Ranking of options against criteria sets



The overall workshop feedback highlighted clear agreement that the current system (i.e. Option 1 – Business as Usual) was not sustainable and that change is needed. However, feedback was also clear on the importance of implementing the change well, following best practice and retaining required skills while ensuring minimal disruption and keeping the learner, as well as employers, at the forefront.

In terms of the Option that best met the criteria, workshop feedback varied. Option 2 was seen as most likely to remove complexity and easier and less disruptive to deliver as opposed to Option 3.

However, many participants argued that Option 3 would ultimately lead to marginally greater efficiencies and would enable better data collection and comparability as well as better equity outcomes.

The primary concern about Option 3 related to SAAS functions in administering student loans and whether the loan book could transfer to a non-departmental public body (NDPB). There was also concern that this Option would lead to more complexity, given that many of the bodies involved in student loans, including His Majesty's Revenue and Customs (HMRC), HM Treasury and the Student Loans Company (SLC) are out of scope for this project.

While the overall scores show Option 2 ranking the first, the more detailed results outlined below illustrate the close nature of the scores between Option 2 and 3. In fact, many participants said there was, at most, a marginal difference between these options in terms of benefits.

3.4.4 MCDA detailed results

This section provides a more detailed description of the feedback received in the workshop on each criteria set.

Table 14: Criteria set 1 – Simplicity and accountability

Criteria		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
1	Simplify and clarify responsibility for governance and assurance of all aspects of the post-school system, allowing for action to be taken when standards are not met.	3	1	2

Workshop feedback highlighted that there is broad agreement that the current system (i.e. Option 1 – BAU) duplicates roles and responsibilities and is overly complex and confusing for stakeholders and learners.

A large proportion of the participants considered Option 3 to be the best option in theory to deliver simplicity and accountability across the post-school system and enable uniformity of standards. However, significant concern was expressed about how the loan book³⁹ and related activities could be managed in a NDPB if SAAS functions were to be moved to one.

Similarly, it was highlighted that there are multiple organisations outside of the scope of this Project involved in higher education (HE) student support and particularly in administering student loans, including Student Loans Company (SLC) and HMRC, and therefore some level of complexity would remain in any scenario.

This complexity around HE student support was ultimately the reason why Option 2 was ranked higher than Option 3. Option 2 was considered to deliver clear lines of accountability through each body having clear and separate remits – one on student support and the other on provision funding – helping organisations and individuals understand who is responsible for specific functions.

A smaller number of participants expressed some concern in the workshop about the ability of Options 2 and 3 to retain the valuable knowledge, skills and experience in delivering apprenticeships by SDS.

Some participants also noted that, regardless of the option chosen, including tuition fees in student support rather than provision adds complexity, as tuition fees are paid to institutions, much like teaching grants, while student support is paid directly to students. Therefore, it was suggested separating these two should be considered.

Table 15: Criteria set 2 – Operational efficiency

Criteria		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
2	Improve operational efficiencies within the post-school funding landscape.	3	2	1
3	Enable efficiencies within the funding recipient landscape.	3	1	2

Looking at Criterion 2, the majority of participants agreed that if delivered well, Option 3 is the most likely to bring operational efficiencies longer term through economies of scale and reduction in back-office systems.

However, many also agreed that the difference between Option 2 and 3 in terms of operational efficiency is marginal and will be dependent on whether there is still going to be a need for several different systems and services when merged. It was highlighted that efficiencies will be delivered over time and to achieve these, high

³⁹ The loan book is the outstanding carrying value of maintenance and tuition fee loans issued by SAAS and managed by SLC.

quality change management, including in corporate culture, and significant lead in time will be required for the transformation.

For Criterion 3, there was broad agreement that the current system involved duplication in terms of reporting requirements as well as partnership working arrangements, particularly for colleges. However, there was no clear agreement amongst participants on whether Option 2 or 3 would meet the criterion best. Those who felt Option 3 best met the criterion highlighted the importance of having to establish relationships with only one organisation and the ease this would bring in terms of reporting requirements. At the moment, recipient bodies have to deal with multiple organisations, each with different rules, regulations, procedures, timelines, reporting requirements etc., which puts a strain on their limited resources.

Those who felt that Option 2 better met the criterion referred to potential added complexity if SAAS functions were moved to a NDPB, as this could create new overheads in the administration and recovery of student loans. It was noted that while efficiencies are enabled, they are limited by the number of different delivery methods, but further efficiencies could be unlocked through the wider reform programme.

Table 16: Criteria set 3 – Data quality, availability and comparability

Criteria		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
4	Enable best use of existing data.	3	2	1
5	Enable improvement of quality, comparability and fitness for purpose of future data collection.	3	2	1

Participants generally highlighted lack of data comparability and linkage as an issue in the current landscape, therefore rating Option 1 as the worst performing in this criteria set.

Workshop feedback for both data criteria favoured Option 3 as it was seen as the most likely option to create conditions for improvements in data sharing and consistency in new data collection, allowing for a better linkage of data and therefore a better understanding on where funding is spent and the outcomes it brings – not only on Scottish Government spend but also from the perspective of universities, colleges and other providers. During the workshop discussion however, it was raised that to deliver successful change, a clear plan for data improvements and collection is required.

However, some felt the benefits of Option 3 over Option 2 were marginal given the systems are very different and having highlighted concerns around the feasibility of Option 3 in relation to data exchange with the Student Loans Company.

Other participants felt there were no specific issues in relation to either criterion or that structural change was not necessary to achieve these, although it was acknowledged that improvements across the system in relation to consistency would be beneficial.

It was noted that delivery of Options 2 or 3 will have an impact on the state of data in the short-term and potentially increase reporting requirements. There was a suggestion that Option 2 could be used as a stepping stone to Option 3 through initially assessing existing data and data streams through two funding bodies, then in the medium to long-term establishing one funding body, which would enable streamlined processes for the collection of data that is fit for purpose.

Table 17: Criteria set 4 – Equity and agility

Criteria		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
6	Enable more targeted, equitable and sustainable distribution of student support funding.	3	2	1
7	Enable agile and responsive funding models across all forms of provision.	3	2	1

Workshop feedback highlighted broad agreement that the current system is not responsive enough and does not address issues with equity sufficiently.

Based on responses, Option 3 ranks higher than Option 2 for both criteria, although the difference is small. Those respondents that favoured Option 3 highlighted how this option would enable a holistic approach to funding to be taken, allowing for funding to be more targeted and agile, although many also noted that the structural change on its own will not achieve this.

Those favouring Option 2 highlighted the differences between student support and provision funding, with two distinct bodies allowing them to have more focussed missions. Some also felt that an Executive Agency allows for better agility than a NDPB in relation to student support, due to its governance structures and therefore creates better conditions for responsive policymaking.

A minority of feedback was concerned about the 'one size fits all' approach of Options 2 and 3 and that while, in theory, these options could achieve higher equity and agility, the risks associated particularly with the different delivery models for funding would make this too challenging.

Table 18: Criteria set 5 – Implementation

Criteria		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
8	Deliverability of options.	1	2	3
9	Deliverability of outcomes.	3	1	1
10	Disruption.	1	2	3

Feedback for this criteria set, while varied, focussed on similar themes. It was broadly agreed that Business as Usual would cause the least disruption and be the cheapest and easiest to deliver in short-term, as there would be no need for change associated with this option, while Option 3 would hold the most risk and challenges and would be the most expensive to deliver.

However, the majority of feedback clearly expressed that in the long-term, change is required as the current system is not sustainable and could cause disruption to providers in the future, meaning it would be unlikely to deliver on desired outcomes. It was also noted that disruption can be managed with sufficient lead in times and high-quality management of change.

There was no clear view, however, on which option would lead to better outcomes, with Option 2 and 3 tied in rankings. Those favouring Option 3 felt that while this option would be the hardest to deliver and involves most risk, it would ultimately be the most likely to deliver on outcomes, if implemented well.

Those favouring Option 2 felt that it was a more realistic option for delivering outcomes, particularly in relation to removing complexity. Some responses suggested a phased approach may work best, with elements of Option 2 delivered now as a stepping stone to a longer-term aim of a single funding body.

3.4.5 MCDA sensitivity analysis

Sensitivity analysis examines how changes in different factors can impact the ranking of options and is therefore an integral part of undertaking a robust MCDA. This section outlines the three different types of sensitivity analysis that were undertaken to understand how robust the overall results are.

Monte Carlo sensitivity analysis on weightings

To test how sensitive the results are to different weightings, Monte Carlo analysis was undertaken. Monte Carlo analysis involves a large number of combinations of weightings being simulated to determine the probability of the main result changing under different scenarios. As part of this, a random uniform distribution is used to select weighting parameters, ensuring that the sum of weights is equal to 1, with a minimum weight set at 5% for any one Criteria Set. This then results in each weight having a non-uniform distribution, and typically a weight of between 5% and 35%. These combinations of randomly selected weightings are then applied in turn to determine which option ranks best under each parameter combination.

An additional layer of sensitivity was also applied to the simulations through an exclusion of a small number of participants' contributions in the ranking exercise. In practice, this meant that each simulation included rankings from 15 out of the 19 participants. The sample of 15 participants was randomly selected for each simulation – all participants are treated equally in this sensitivity analysis.

The Monte Carlo analysis shows that Option 2 is preferred in 62% and Option 3 in 38% of the 10,000 simulations undertaken, with Option 1 winning only in rare occasions, i.e., in less than 1% of the simulations.

More detailed interpretation of the results reveals that Option 3 is generally preferred when the combined weight of Criteria Sets 3 (Data) and 4 (Equity and Agility) is greater than the combined weight of Criteria Sets 1 (Simplicity and Accountability) and 5 (Implementation). For Option 2, the opposite is true.

If the additional layer of sensitivity around participant exclusion is removed – i.e. when the model only considers sensitivity to different weightings – Option 2 is preferred 78% of the time.

Sensitivity analysis by organisational groupings

While the participants were invited to take part in the MCDA workshop based on their individual expertise rather than as representatives of their respective organisations, separate sensitivity analysis was also conducted to identify and account for any potential organisational or sectoral level bias.

This was done by splitting the workshop results into different organisational groupings to see if the overall results differed depending on the organisational make-up. Four groupings were selected. These were 'Funding bodies only', 'Funding bodies and Scottish Government', 'Other organisations only', and 'all organisations apart from Scottish Government'.

The findings show that the overall result is maintained in each of the four tests, with Option 2 the preferred option, followed by Option 3. However, in two of the tests – 'funding bodies only' and 'all organisations apart from Scottish Government' – Option 2 wins by stronger margin (by 2 points instead of 1) over Option 3, suggesting that participants from Scottish Government show slightly stronger preference for Option 3 than participants from other organisational groupings.

Sensitivity analysis of MCDA ranking assessment method

Finally, separate sensitivity tests were done to understand the impact on the overall results of changing the method used for assessing participant rankings. An example of how the main results outlined in Section 3.4.4 were arrived at is shown below:

Step 1 – For each option, each participants' ranks were summed for each criterion. For example, the sum of participants' rankings by option for Criteria Set 2 – Operational Efficiency – are presented in table 19 below.

Table 19: Step 1 – Sums of participant ranks per criteria

Criteria set 2 – operational efficiency		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
2	Improve operational efficiencies within the post-school funding landscape.	46	30	23
3	Enable efficiencies within the funding recipient landscape.	44	29	31

Step 2 – These totals were then ranked as set out in Table 20 below, with highest sum receiving a rank of 3 (worst) and lowest sum receiving a rank of 1 (best). For criterion 2, Option 1 ranks third while Option 3 ranks first and is therefore preferred. For criterion 3, Option 1 remains third while Option 2 ranks first.

Table 20: Step 2 – Criterion level rankings

Criteria set 2 – operational efficiency		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
2	Improve operational efficiencies within the post-school funding landscape.	3	2	1
3	Enable efficiencies within the funding recipient landscape.	3	1	2

Step 3 – These criterion level ranks set out in Table 20 were then summed up within the Criteria Set 2 as set out in table 21 below, with all criteria within a Criteria Set weighted equally, and ranked again from 1 (best) to 3 (worst) based on the methodology set out above. In the case of Criteria set 2, given the sum of ranks for both Options 2 and 3 equals 3, these options therefore rank equally.

Table 21: Step 3 – sums of criteria level ranks and Criteria Set 2 overall rank

Criteria set 2 – operational efficiency		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
Sum of criterion ranks		6	3	3
Criteria set rank		3	1	1

Step 4 – The criteria set ranks were then added up, with each Criteria Set having an equal weighting, and ranked as set out in the main results (Section 3.4.3, Table 13), with Option 2 the preferred option, above Option 3 and with Option 1 ranking last.

In the sensitivity test, an alternative approach to assessing the main results was used. This approach summed up participant rankings on a Criteria Set level rather than at an individual criterion level as set out below in Table 22, therefore skipping step 2 from the method set out above and instead summing the scores from Table

19 and ranking these sums with highest sum ranking third (worst) and lowest sum ranking first (best).

Table 22: Sums of participant ranks and Criteria Set 2 overall ranking based on alternative method

Criteria set 2 – operational efficiency	Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
Sum of participant ranks	90	59	54
Criteria set rank	3	2	1

Table 23 below sets out how the Criteria Set level ranks and the overall result change when the method of assessment is changed. It shows that the results are highly sensitive to the chosen method, with Option 3 ranking best followed by Option 2, but that while the places between these two options are switched, the difference between them remains marginal.

Table 23: Main results using alternative method of assessment

Criteria Set	Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
1 Simplicity and Accountability	3	1	2
2 Operational Efficiency	3	2	1
3 Data Quality, Availability and Comparability	3	2	1
4 Equity and Agility	3	2	1
5 Implementation	1	2	3
Sum of ranks	13	9	8
Overall result	3	2	1

3.4.6. Economic appraisal of costs

This section outlines the results of the economic appraisal of the costs for each option.

Method

The economic appraisal conducted follows HMT's Green Book methodology and principles, with annual nominal costs summed and discounted (using the Green Book Social Time Preference Rate of 3.5%) to give a Present Value of Costs (PVC). These costs were derived from the Financial Case and therefore adopt all the same assumptions.

A 9-year time horizon⁴⁰ was used from the point the first transition related spending is expected to be incurred for Options 2 and 3 (FY 2025/26). Costs include those associated with both the transition to and running of the option and, in accordance with standard methodology, are presented in real terms (2025/26 prices).

As set out in Section 3.4.1, this project is primarily about enabling change in the future. Therefore, no comprehensive attempt has been made to estimate the monetary value of benefits for each of the options. The MCDA results above provide some indication of non-monetisable advantages and disadvantages of the options.

The financial modelling, which is set out in more detail in the Financial Case, has also not modelled any efficiencies into the costings for each of the options over the appraisal period. This is because it is unclear at this stage where in the system efficiencies could be realised, or when these might materialise. These are likely to be identified as detailed design work towards a new target operating model across all public bodies is commenced and will likely relate to economies of scale through shared systems and services.

It is also likely that efficiencies and benefits that are likely to be realised as a result of this reform would deliver savings over a longer period than the 9-year time horizon included in this analysis. Further modelling of this will be undertaken during the detailed design phase on the basis of an agreed delivery option.

⁴⁰ Based on the HMT Green Book guidance, costs and benefits should be calculated over the lifetime of the intervention or asset and that, for many interventions, a time horizon of 10 years is suitable. SAAS, SFC and SDS provided costs for a 10-year period from 2024-25. Given that the first year of the intervention is 2025-26, a 9-year appraisal period is used instead.

Results

The costs are broken down to three categories: staff related costs, non-staff related costs and transitional costs. The first two categories capture the costs associated with running of the post-school education funding body landscape. Transitional costs cover the costs associated with transitioning from Business as Usual to Options 2 and 3. Due to considerable uncertainty with the cost estimates, both high and low estimates are presented. More detail on how these costs were arrived at can be found in the Financial Case. The total PVC for each of the options by cost category are shown in Table 24 below.

Table 24: Present Value of Costs (PVC) by Option

Present Value of Costs (£ million)	Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
Staff related costs			
Low	274.1	276.0	278.1
High	300.4	302.3	304.4
Non-staff related costs			
Low	85.7	86.4	87.3
High	94.7	97.3	99.8
Transitional costs			
Low	0.0	2.5	3.9
High	0.0	4.5	6.9
Total			
Low	359.7	364.9	369.2
High	395.0	404.1	411.1

As a considerable proportion of costs for Options 2 and 3 would, similarly, be incurred in Option 1, it is helpful to observe exclusively the additional costs expected to be incurred by Options 2 and 3 relative to Option 1. This is set out in Table 25 below.

Table 25: Additional Present Value of Costs (PVC) relative to Option 1 (BAU)

Present Value of Costs (£ million)	Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
Staff costs			
Low	0.0	1.9	4.0
High	0.0	1.9	4.0
Non-staff costs			
Low	0.0	0.8	1.6
High	0.0	2.6	5.1
Transitional costs			
Low	0.0	2.5	3.9
High	0.0	4.5	6.9
Total			
Low	0.0	5.2	9.5
High	0.0	9.1	16.1

In PVC terms, Option 2 will incur additional costs relative to Option 1 in the region of £5.2 million to £9.1 million over the 9-year appraisal period. For Option 3, this additional cost is between £9.5 million to £16.1 million in PVC terms. The difference between Options 2 and 3 is primarily driven by the higher number of staff and systems being transferred in Option 3.

3.4.7 Sensitivity analysis of cost appraisal

To further account for uncertainty in the cost estimates, particularly in relation to transition costs as well as running costs for Options 2 and 3 in the later years of the appraisal period, sensitivity analysis was undertaken to understand the impact of changing specific values on the Present Value of Costs. Three scenarios were considered. These are set out below.

Scenario 1 – assume 10% increase to year-on-year staff costs for those in scope of transferring to a new organisation from 2026/27

There is some level of uncertainty over staff costs for both Options 2 and 3 in relation to both assumed staff numbers for future years as well as how pay harmonisation will impact costs. Therefore, a 10% increase in the “high” estimate of year-on-year staff costs is applied to those in scope to transfer to a new organisation from 2026/27 onwards to see how this impacts total PVC for both options.

Scenario 2 – assume 100% increase to transition costs over 2025/26 to 2026/27

As set out in the Financial Case, transition costs for each Option are based on costs set out in similar structural reform projects as these cannot be currently estimated with a high level of certainty for this specific project. Similarly, no assumptions have been made about any potential data or IT system transformation programmes as a result of this change. Therefore, it is likely that the transition costs could be significantly underestimated. A 100% increase to the “high” estimate of transition costs is applied to illustrate the impact of higher transition costs on the PVC.

Scenario 3 – combine scenarios 1 and 2

This scenario combines the above 2 scenarios to understand how the PVC changes if both scenarios were to happen.

Sensitivity analysis results

Table 26 sets out the change in the range of total additional PVC for Option 2 relative to Option 1, in each of the three scenarios, using the same HMT Green Book methodology as set out in the sections above.

Table 26: Additional Present Value of Costs (PVC) for Option 2 relative to Option 1 (BAU)

Total Present Value of Costs (£ million)	Scenario 1	Scenario 2	Scenario 3
Low	5.2	5.2	5.2
High	14.9	13.6	19.5

Increasing the staff and/or transitional costs in Option 2 increases the high estimate of total additional Present Value of Costs relative to Option 1 from £9.1 million to between £13.6 million and £19.5 million depending on the scenario.

Table 27 sets out the change in the range of total additional PVC for Option 3 relative to Option 1, in each of the three scenarios, using the same HMT Green Book methodology as set out in the sections above.

Table 27: Additional Present Value of Costs (PVC) for Option 3 relative to Option 1 (BAU)

Total Present Value of Costs (£ million)	Scenario 1	Scenario 2	Scenario 3
Low	9.5	9.5	9.5
High	30.8	23.0	37.7

Increasing the staff and/or transitional costs in Option 3 increases the *high* estimate of total additional Present Value of Costs relative to Option 1 from £16.1 million to between £23.0 million and £37.7 million depending on the scenario.

3.4.8 Cost-effectiveness analysis

This section combines the MCDA and cost analysis to provide a formal cost-effectiveness analysis (CEA), the alternative method proposed in the HMT Green Book if Cost-Benefit Analysis is not possible.

Method

Cost-effectiveness analysis is a form of economic analysis that compares the relative costs and outcomes of different options with a specific “effectiveness measure” representing the outcomes. Here, the overall scores of the MCDA form the effectiveness measure (or outcome). This allows us to conduct CEA to compare the results from the MCDA and cost appraisal more comprehensively in line with HMT Green Book Guidance.

Cost-effectiveness analysis presents a ratio of costs to effectiveness – in this case, the total PVC figures shown in table 24 in Section 3.4.6 are divided by the MCDA score (i.e. sum of ranks) for each option to arrive at the effectiveness ratio, with the lowest ratio being the most “cost-effective”.

In order to create the cost-effectiveness ratio, the MCDA results need to be inverted – e.g. if an option is ranked 3rd, then it is considered the best option for meeting the criteria, while if the option is ranked 1st, it is considered the worst option for meeting the criteria. This has no impact on the main results set out in Table 13 in section 3.4.3, with Option 2 still ranking best and Option 1 worst.

Table 28 below shows the inverted MCDA results.

Table 28: Inverted MCDA results

Criteria Set		Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
1	Simplicity and Accountability	1	3	2
2	Operational Efficiency	1	3	3
3	Data Quality, Availability and Comparability	1	2	3
4	Equity and Agility	1	2	3
5	Implementation	3	3	1
Sum of ranks		7	13	12
Overall result		1	3	2

Results

Table 29 shows the PVC range, MCDA score as well as the cost-effectiveness ratio for each of the options.

Table 29: Cost-effectiveness analysis results

Cost-effectiveness analysis results	Option 1. BAU	Option 2. Two funding bodies	Option 3. One funding body
PVC range (low-high) (£ million)	359.7 – 395.0	364.9 – 404.1	369.2 – 411.1
Sum of ranks	7	13	12
Cost-effectiveness ratio (low-high) (£ million)	51.4 – 56.4	28.1 – 31.1	30.8 – 34.3

The results align with the findings of the MCDA analysis, showing that Option 2 has the lowest ratio, therefore suggesting it is the most “cost-effective” option. This is followed closely by Option 3, with Option 1 having the highest ratio by a considerable margin, therefore being the least “cost-effective” option. The cost-effectiveness ratio ranges for Options 2 and 3 are partially overlapping, demonstrating how close the two options are, consistent with the MCDA and sensitivity analysis findings.

Sensitivity analysis

Given the closeness of the results between Options 2 and 3, several sensitivity tests were conducted to see how sensitive the CEA results are to changing factors such as weightings and costs. This was mainly done in the form of simple “tipping point” analysis – i.e. how much do the weightings or costs need to change for the result to change.

Looking first at changing the weightings, the results are broadly consistent with the Monte Carlo analysis set out in section 3.4.5, in that the CEA results are highly sensitive to different MCDA Criteria Set weightings and that there are very few, if any, weightings scenarios where Option 1 becomes most “cost-effective”.

For example, increasing the weighting of Criteria Set 5 (Implementation) to 80%, therefore leaving 5% weighting for each of the other Criteria sets, would still lead to Option 2 marginally ranking first over Option 1, and therefore being the most “cost effective” option.

However, the more weight given to Criteria Set 5, the less cost-effective Option 3 becomes, with it typically ranking last in scenarios where Criteria Set 5 is assigned a weighting of more than 45%, with Option 1 ranking second behind Option 2.

Finally, the likelihood of Option 3 becoming the most “cost-effective” option over Option 2 typically increases the higher the assigned weighting for Criteria Sets 3 (Data) and 4 (Equity and agility) are in comparison to Criteria Sets 1 (Simplicity and accountability) and 5.

Looking at changing the Present Value of Costs, the analysis suggested that the overall PVC for Option 2 would have to increase by more than 80% and by more than 65% for Option 3, for Option 1 to become the most “cost-effective” option. Even if the assigned weighting for Criteria Set 5 was set at 80%, Option 2 costs would still need to increase by minimum of around 10% for Option 1 to become the most “cost-effective”.

The consistency of these CEA sensitivity analysis results with the main results of the MCDA and Monte Carlo analysis, which also removes a randomly selected set of individuals from each simulation to account for bias in groupings of individuals, is down to the differences in the costs and PVC between each option being much smaller in relative terms than the differences in the MCDA scores. This means that the CEA results are more sensitive to changes in the MCDA results than changes in the costs.

3.5 Conclusion

The MCDA results show clear agreement among stakeholders that Business as Usual (Option 1 – BAU) is not sustainable and that there is a clear case for change, with this option ranking last by a considerable margin. Option 2 ranks first, followed closely by Option 3, with sensitivity analysis suggesting minor changes in factors

such as weightings or method of assessment changing which of the two options ranks first.

Further investigation of the results highlights some key differences between the performance of Options 2 and 3 across the different criteria sets. As the Monte Carlo analysis suggests, Option 3 generally performs better in relation to improvements in data collection and equity outcomes as well as general responsiveness of the system. However, some of the MCDA responses also highlight a significant risk for Option 3 in relation to the management of the Loan Book and the associated stakeholder relationships, with the potential for further added complexity, as well as disruption in trying to address these complexities.

The results suggests that Option 2 would be more straightforward to implement, without adding new complexities or further disruption to key functions. It was also noted that, while Option 2 would still deliver benefits relating to data, equity and agility, these may be marginally greater in Option 3, due to all functions being within a single body.

The cost appraisal shows clearer differences between the three options, with Option 1 having the lowest present value of costs, followed by Option 2, with Option 3 having the highest costs. However, cost-effectiveness analysis, which combines the results of the MCDA with the cost analysis, reveals that despite Option 1 having the lowest costs, it is still the least “cost-effective”. This analysis also further demonstrates there are only marginal differences between Options 2 and 3.

Given that the analysis points to no obvious “winner”, the final decision may then rest on risk appetite in relation to both tolerable levels of disruption and additional spend balanced with the level of importance placed on specific outcomes, with Cost-Effectiveness analysis showing Option 2 as the most “cost effective” by a small margin, when assuming that all outcomes are assigned equal importance.

In particular, consideration should be given to the extent and nature of the potential disruption associated with Option 3, and whether it could lead to issues with student loan provision that could negatively impact students. Similarly, it is useful to consider whether the potential for marginally enhanced delivery of some outcomes from Option 3 should be given more weight, and therefore be sufficient to outweigh the additional associated costs and the complexity of implementing such a large-scale change.

4. Commercial Case

4.1 Introduction

Detailed design of future target operating models has not been undertaken in advance of a decision being made on the preferred way forward. The Commercial Case sets out some of the issues that will have to be considered after this point, notes existing procurements, systems and digital transformation projects underway within SAAS, SDS and SFC and sets out some of the future commercial and procurement arrangements that will need to be followed to successfully deliver the anticipated outcomes from simplification of the post-school funding body landscape (the Project).

There will be two elements to commercial activity in the implementation phase of the project. Scoping work to identify optimal “to be” requirements that will be developed by technical working groups, drawing on a range of expertise, in particular from within affected public bodies within the implementation project. Procurement work that will be the responsibility of whichever public body is the lead customer for any new systems or services that may be required to deliver the optimal “to be” state.

These arrangements will be essential to demonstrate the Project’s approach to securing value for money and the effective management of commercial risks during the implementation, transition and operational phases, and to show compliance with Scottish Government best practice in this area.

4.2 Existing services and systems

The majority of procurement decisions, linked to each option within the OBC, are likely to rest with the Public Bodies. Each of the affected public bodies currently has their own approach to procurement and has developed their procurement strategy, systems architecture and digital development and improvement programmes specific to the needs of their organisation and its current functions.

SAAS, SDS and SFC all also have estates and corporate services approaches specific to the needs of their organisation. All public bodies have shared detailed information on their systems and structures as part of the preparation of this business case.

A key part of the future procurement strategy will be detailed mapping of the “as is” position across all public bodies and taking forward detailed design of the optimal “to be” structure to deliver the preferred option. This provides the opportunity to retain the best of existing systems and structures, as well as considering where there is the opportunity to develop new systems and approaches and to explore the potential for shared services that will enhance efficiency and improve delivery for end users.

SDS

SDS currently delivers the Enterprise Information Service (EIS) - a shared IT service for which SDS is the legal contracting authority, on behalf of their own organisation and the three Enterprise Agencies (Scottish Enterprise, South of Scotland Enterprise and HIE). SDS initially pay for the service and associated staff, and this is recharged to the enterprise agencies on a non-profit basis for their proportionate share of usage. This common IT platform currently supports around c3,000 staff across these public bodies and has the potential for further expansion.

SDS currently delivers Modern Apprenticeships via a public contract award through public Contracts Scotland. The procurement process for MAs usually begins preparation in August with an invitation to tender issued in October and contract awards in February/March of the following year. These contracts are generally agreed for one year with the option of a one-year extension (one-plus-one).

As part of the programme of reform and continuous improvement being taken forward following publication of the Purpose and Principles, Scottish Government officials are considering the optimal future commissioning and delivery models for all apprenticeships. While this may mean changes in future, depending on the timescales for implementation, the current procurement model will have to be able to continue to operate until a new approach is agreed.

FIPS: Funding Information and Processing System, is one of a number of systems that support the development, design and delivery of apprenticeships in SDS. This system, alongside a range of other, systems, web sites, applications and databases are all used to ensure that all relevant monitoring and data sharing arrangements to ensure successful delivery are in place.

SDS has had a significant programme of digital transformation underway to move to a new and more sustainable target operating model by 2027. This includes a programme of estates reduction and digital transformation.

SFC

SFC has also been undertaking a programme of digital transformation in recent years including further development of cyber security approaches, development of a new data collections platform and transformation of analytics capability to improve the accessibility and useability of the data that the SFC collects.

SFC currently handles vast amounts of information via the SAS software platform which handles data management and analytics. SFC's ambition is to evolve all its data collections into a cloud based Unified Data Platform (UDP) which encapsulates all data received from partners and institutions to create a more cohesive data architecture that can be used, both internally by SFC and shared more readily with partners and the public. The public portal will provide assurance on the quality of data collected and enable modern reporting and analysis.

In managing data flows between the SFC and institutions there are also a number of end-to-end processes and systems that interact with JISC which provides network and IT services and digital resources and support for further and higher education and research institutions.

SFC also has its own finance and funding systems, HR support systems and services. SFC is based within Apex 2 at Haymarket, Edinburgh, and has access to shared meeting space as part of a shared service agreement with Scottish Enterprise in Apex 1, Haymarket.

SAAS

SAAS have an established front and back end-to-end application process and its own case management system, delivering awards and direct payments to over 160,000 students each year. SAAS also has its own dedicated in-house IT Service Desk.

SAAS current systems are developed entirely in-house and have the technical resource capability of adapting all of their core systems to new demands. An example of this is their annual Change of Session project which delivers system updates to reflect Ministerial priorities and new policy demands from across Scottish Govt. SAAS has its own website with an inbuilt online Student Account, which is maintained in-house with the relevant technical resource and also host and maintain the Student Information Scotland website – information hub for students in Scotland covering Further and Higher Education – on behalf of the Scottish Government and Scottish Funding Council who contribute funding to its upkeep. They also have a range of social media channels which are maintained in-house. They have direct routes of contact with all students they fund. Additionally, SAAS have in-house content and graphic design expertise.

All of SAAS key services are fronted by a cloud based Omnichannel Contact Centre with dedicated operational support agents. SAAS Contact Centre solution is capable of handling all types of traditional interactions such as calls and webchats under one platform with the capabilities for multimedia functionality.

As an Executive Agency of the Scottish Government, all SAAS core IT systems are fully approved for use on the Scottish Government network and HR and Finance functions are fully aligned to Scottish Government/ Public Sector policies and procedures. Additionally, SAAS also have a dedicated Complaints & Appeals functions (utilising SG MiCase system for FOIs and Ministerial correspondence) and its own in-house Debt Recovery System.

SAAS front facing applications are available 24/7 all-year round meaning that students can access guidance and apply for support outside of core operating hours. As well as having the capabilities to make continual service improvements to their current applications and services, SAAS have now commenced their Transformation Programme of work which will ensure their services remain fit for purpose for the years ahead. Early successes have been realised through a number of automated improvements to their services which allows automated processes 'jobs' to be run outside of operating hours. Automation will continue to be a key component of the Transformation Programme. In addition, SAAS have also launched the private-beta phase of their new online application process for students wishing to access financial support through the Disabled Students' Allowance.

SAAS is based within Saughton House, as part of the Scottish Government estate in Edinburgh and use SG accommodation as part of a MOTO. SAAS adopt a hybrid working approach as services can be accessed remotely.

4.3 Forward Plan

To simplify the post-school funding body landscape, there is an expectation that current data and systems across the current public bodies need to be streamlined into a more consistent and coherent structure. As there may be a need to procure some new systems and services, or to adapt existing systems, based on the case for change, it will be important to take a coherent, user-centred approach. The anticipated procurement will therefore follow the Scottish Government's Procurement Strategy and will be supported by SPPD. It will be important that the digital elements of this procurement activity are progressed in line with an agreed digital strategy.

Once a preferred option has been decided and the necessary project delivery structures established, a procurement 'Forward Plan' and digital strategy will be created in partnership between SAAS, SFC and SDS and with specialist digital and procurement support from Scottish Government. The 'Forward Plan' will act as a live document that identifies a list of systems and services that may be required, and will be aligned to the aims of the Project, as well as in line with the digital strategy principles. The 'Forward Plan' will assist with the progress of the Project and help to plan for future procurements, manage contracts, manage resources and understand which projects should be prioritised.

The procurement options will be based on a thorough understanding of existing and future needs as part of this Project. This will require careful consideration, in line with 'Forward Plans' and digital strategy to ensure that the impact of these decisions will inform exactly what type of services and systems will be needed. The following requirements are anticipated for any future changes to the post-school funding body landscape:

- Digital infrastructure (to enable better data sharing and alignment of systems and processes).
- ICT services - Hardware and Software.
- Sharing of data and operating frameworks to allow the reformed public bodies to work effectively.
- Media, marketing, design and print services including accessibility services such as easy read.
- Training and development.
- Research.
- Estates.

The procurement requirements will evolve as the decisions regarding the future post-school funding body landscape in Scotland are determined.

This Commercial Case outlines the various approaches to supporting the commercial requirements for this Project and will build on the baseline picture of existing procurements, platforms and plans in place across the public bodies. The detailed procurement and commercial approach for the Project will be developed in partnership by SDS, SAAS and SFC with Scottish Government digital and

procurement experts, as part of the detailed design phase, once a decision on the preferred option has been made. This will include specific and relevant commodity level Procurement Strategies, developed by the lead customer for that commodity.

The Scottish Government will work closely with the public bodies to ensure that the following aspects of the commercial case are followed as this Project moves forward.

4.4 Scottish Government Procurement Strategy

The Scottish Procurement and Property Directorate (SPPD) has published its Procurement Strategy for 2024-28⁴¹. This sets out how the Scottish Government will deliver on public sector procurement over the next four years and also reflects on the ambitious programme of work to maximise the impact of public procurement in Scotland.

Procurement has a pivotal role to play in the Programme for Government commitments to growing Scotland's economy and the ambitious 10-year programme of Public Service Reform to ensure that Scotland will be a wealthier, fairer, greener and a more equal country.

The Scottish Government Procurement Strategy notes that the Scottish Government's key priorities are centred on contributing to Scotland's purpose of creating a more successful country, with opportunities for all to flourish, through increasing sustainable and inclusive economic growth. This is underpinned by the [National Performance Framework](#), [Scotland's National Strategy for Economic Transformation \(NSET\)](#) and the annual [Programme for Government](#) which sets out the plan for policy delivery, [public procurement priorities](#) and legislation over the next year. It ensures compliance to, and delivery of the priorities through the sustainable procurement duty as outlined in [Procurement Reform \(Scotland\) Act 2014](#).

The sustainable procurement duty is supported by tools which include the [National Outcomes](#) and [Indicators](#) and provides a structured approach to purchasing. They help public sector organisations identify opportunities to include economic, social and environmental considerations in contracts and show how procurement activity contributes to the National Outcomes and, in turn, to Scotland's NSET. Sourcing strategies are developed for each procurement project worth £50,000 or more. This work is supported by the [Sustainability Test](#) and, where appropriate, the [Sustainable Public Procurement Prioritisation Tool \(SPPPT\)](#). The contribution of procurement to the Scottish Government's purpose and priorities is tracked through compliance with the sustainable procurement duty.

In doing so the Project aims to further the Strategic Aims and Objectives such as:

- Tackling Child Poverty through Fair Work First. So that that by 2025, people in Scotland will have a world leading working life where Fair Work drives success, wellbeing and prosperity for individuals, businesses, organisations and society. Public procurement is used to tackle in-work poverty and by extension, child poverty by ensuring job security and fair pay in public sector contracts.

⁴¹ [The Scottish Government Procurement Strategy April 2024 – March 2028 - gov.scot \(www.gov.scot\)](#)

- Climate change. Sustainable procurement tools include indicators and guidance to support Scottish public sector buyers to consider and act on a number of climate change and circular economy considerations. Action is taken on climate change and the development of the circular economy by buying goods and services which reduce emissions, minimise waste and allow for repair, re-use, refurbishment or recycling wherever appropriate.
- Covid recovery. The strategy covers commitments described in [Scotland's National Strategy for Economic Transformation](#) and [Scotland's Programme for Government](#). This includes using the £16 billion annual procurement spend across the Scottish public sector to boost inclusive economic recovery, support longer term economic wellbeing, and a just transition to net zero. The tools and guidance available will influence and empower buyer, supplier and key stakeholder communities to use public procurement to support an inclusive and green economic recovery.

The strategy is underpinned by detailed guidance on each stage of the [Procurement Journey](#) (phases of activity).

4.5 Roles & Responsibilities

Shared responsibilities of this Project rest with the relevant Scottish Government business areas and also with experts within the Public Bodies, noting that SAAS as an executive agency utilise procurement expertise through Scottish Government Procurement. It is important that procurement matters are in line with Scottish Government Procurement guidance and are designed to meet the Projects objectives.

4.6 More Powers Implementation Procurement (MPIP)

The More Powers Implementation Procurement (MPIP) Team within Scottish Procurement and Property Directorate (SPPD) has been established to support core Scottish Government directorates with procurement and commercial matters and will provide support for this Project.

The level and resource profile of procurement support will be regularly reviewed to ensure that Project milestones with commercial dependencies are met. Management of commercial risks is overseen by the MPIP team.

4.7 Commodity level Procurement Strategies

Commodity level Procurement Strategies sets out the particular approach to buying the goods, services and works in a series of procurements. These strategies are bespoke on a procurement-by-procurement basis and include sections on the choice of procurement procedure or potential payment mechanisms as these will be defined in each commodity level procurement strategy to suit the needs of the individual contract.

A high level outline of the principles regarding the choice of procurement procedure or potential pricing mechanisms is set out in table 30 below along with references to supporting documentation.

Table 30: Service Area and Enabling Capability Procurement Strategies

Service Area / Enabling Capability Procurement Strategies	
Choice of procurement procedure	The route to market will be determined jointly by the Project and the MPIP team. There are a number of procurement options available to enable the award of an appropriate commercial contract. A commodity procurement strategy will set out the advantages and disadvantages for each of the procurement procedures.
Pricing Strategy	<p>The pricing strategy will be bespoke to each individual procurement. The strategy will consider how best to incentivise service providers to provide value for money whilst ensuring that commercial risks are identified, owned and managed. This will assist with making changes to services and operations in the future (should the need arise) and embed risk transfer and allocation within the charging mechanism for the Project.</p> <p>The pricing strategy and underpinning payment mechanism will be considered in the following key phases of the service:</p> <ul style="list-style-type: none"> • The pre-delivery phase – up to the acceptable delivery of the service and commencement of the payment stream • The operational phase – following acceptable delivery of the service up to the close of the primary contractual period • The extension phase – post-primary contract period • Exit phase – appropriate disposal of goods and/or expiry of services.
Risk Apportionment	<p>When deciding how the Project approaches risks in the design, build, funding and operational phases of project and programme delivery, risk may be apportioned between the procuring authority and service providers, the following principles will be taken into account:</p> <ul style="list-style-type: none"> • The procuring Authority should consider transferring risk to service providers when they are better able to influence the outcome than the procuring authority. • The degree to which risks may be transferred depends on the specific option under consideration – hence the need to consider on a case-by-case basis. • The successful balance of risk transfer requires a clear understanding by the contracting authority of the risks presented by an option; the broad impact that these risks may have on the service provider's incentives and financing costs (cost drivers); and the degree to which risk transfer offers Value for Money – hence the need to identify and cost individual risks.

	<ul style="list-style-type: none"> • The Service providers should be encouraged to take the risks it can manage more effectively than the Public Sector; particularly where it has clear ownership, responsibility and control. • The transfer of risks can generate incentives for the Private Sector to provide more timely, cost effective and innovative solutions. <p>For each procurement, the potential risk allocation (procuring authority, service providers, shared) will be considered by risk category (design, transition, financing etc.) and documented in relevant documents such as those procurement strategies.</p>
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4.8 Service Streams and Required Outputs

Commodity level Procurement Strategies are cognisant of launch dates for each stage of the Projects evolution. The procurement requirements of this Project will evolve as it matures. MPIP will work with the lead customer to manage a procurement Forward Plan, this will ensure that certain priority contracts are tracked as the Project progresses.

The different options to simplify the post-school funding body landscape are likely to require different levels of procurement activity. Therefore, arrangements will be put in place to ensure the Project's approach to securing value for money and effective management of commercial risks during implementation, transition and operational phases of the reform of public bodies within the post-school funding body landscape, and to show compliance with the Scottish Government best practice in this area, in particular driving forward best value.

4.9 Digital Requirements

All public bodies operating within the post-school funding body landscape have detailed digital transformation and improvement plans underway and fully appreciate the pivotal role that digital technologies can play in enhancing the efficiency, transparency and customer experience of the services they deliver.

The Digital Strategy for Scotland, "[A Changing Nation: How Scotland Will Thrive In A Digital World](#)" sets out the role digital will play and this, together with other relevant digital strategies such as [Cyber Resilience](#) underpin the Scottish Government's approach to digital procurement activity.

When appropriate, the MPIP team undertake pre-market supplier engagement to ensure that the market is aware of future procurement activity prior to the publication of tender documents. This is designed to increase supplier participation in the procurement process and provide increased opportunities for the delivery of innovative digital solutions and de-risk delivery outcomes. In delivering the procurement of IT projects including digital platforms and software the Agile approach is predominately utilised.

4.10 Procurement Decision Making Framework

The Scottish Government's Procurement Strategy plans will be used as the framework for this Project. This will ensure there are no issues regarding the interdependency between pace and scope of the Project and any ability to secure the required services through these routes to market. This will include a procurement pipeline for all requirements which will set out the:

- Procurement engagement date
- Project milestones (based on anticipated procurement project timescales including for market engagement and mobilisation periods)
- Lead customer
- Estimated £ value
- Risk
- Anticipated procurement resource required i.e. DPO led (based on likely procurement method, value and risk)
- Delivery date

4.11 Governance Relating to Procurement & Commercial Activity – Commercial Governance

Delegated Purchasing Authority (DPA) is the authority to enter into a contract for goods, services and works and applies to all contracts placed by the Scottish Government. Delegated Purchasing Procedures must be followed for all procurement exercises:

- (i) Delegated purchasing authority for low level spend (i.e. contracts valued under £50,000) is supported by the MPIP team where required.
- (j) All regulated procurement activity is managed by the MPIP Team. The Head of MPIP has a commercial delegation of £75,000,000 ex VAT and is ultimately responsible for the commercial due diligence of all contract awards up to this value.

The Project governance process will be followed when Regulated Procurements apply, this must follow the steps below:

- The MPIP team develop a Procurement Strategy for every procurement over £50,000 ex VAT. This is produced in collaboration with the lead customer.
- The MPIP team is responsible for writing the Commercial Case in any commodity procurement strategy.

More information about the Project governance mechanisms can be found in the Management Case Section.

5. Financial Case

5.1 Introduction

The purpose of the Financial Case is to set out the estimated costs associated with the three shortlisted options, as described earlier in the Socio-Economic case.

This section provides an overview of the transition and operational costs, and the impact on public expenditure. Affordability is assessed in terms of comparing the forecast operational costs of business as usual to future options.

Delivering this scale of structural reform will incur transition costs. These costs have been estimated within the financial case, however, these costs are not yet included in future budget projections. This OBC does not represent a bid for future budgets but is the evidence base for making a choice between options based on both affordability and the non-monetisable benefits that are expected to result from implementation of options. Further commentary on affordability is made within the financial case.

5.2 Assumptions and Estimates

Extensive work has been undertaken by the Scottish Government Project Team leading this work through stakeholder engagement, and via consideration of detailed technical submissions from all affected public bodies, to better understand the financial costs of each option. Whilst this has provided the Project Team with a solid understanding of baseline information, it has not been possible to undertake detailed modelling of future target operating models for each option for the OBC. This means that a considerable number of assumptions and estimates are built into the current financial modelling for the OBC.

A narrative explanation of the assumptions that have been applied has been provided throughout the financial case.

As a proxy for future “to be” structures, the basis for the cost assumptions presented have been derived by considering the “as-is” as a baseline and consolidation of these costs into new structures for each option. A number of comparable reform programmes from Scotland and across the UK were considered to provide reasonable estimate costs of change in areas such as workforce, IT services and estates costs in advance of detailed planning having taken place on the basis of a preferred option. Public body annual accounts were used to determine consistent cost elements in conjunction with information provided from public bodies.

While the financial case focuses on the financial costs associated with implementing each option⁴², it is important to consider the direct financial benefits alongside this

⁴² In all scenarios, there is a line of capital expenditure that represents a digital transformation programme that is currently being implemented. In FY27/28, there is a significant drop in the total

information. For the purposes of this Financial Case, an assumption has been made that no changes will be made to running of the system under Options 2 and 3.

This is because detailed design work based on a future target operating model aligned to a preferred option has not yet taken place. The expectation is that efficiencies and possibly cost savings through shared systems and services and potential consolidation of some corporate functions will be identified as detailed design work towards a new target operating model across all public bodies is commenced. Therefore, any estimates presented below that relate to the operation of the system under Options 2 and 3 do not provide a complete reflection of the potential future system and only provide the costs, not a quantification of future benefits which may offset any transitional or increased operational costs.

5.2.1 Pensions

A number of options are available for the provision and ongoing management of pensions of staff impacted by potential structural changes. Pension considerations are only relevant for those currently employed in SDS who may be in scope of transfer to SFC. This is because SDS staff are members of the Local Government Pension Scheme (Scotland) (“LGPS”) whereas SFC and SAAS are both members of the Civil Service Pension Scheme (“CSPS”). 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 based on their individual circumstances.

Given that Ministers have yet to make a decision on the final scope of structural change, it is not possible to determine indicative costs of pension changes at this time. Actuarial advice is required to calculate the implications for individual affected. 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 CSPS to honour the terms of the transfer.

At the OBC stage, analysis has been completed on numbers of individuals potentially in scope to transfer and their grade and FTE status. The OBC has not analysed staffing information to the level of length of service and pension benefits accrued to date. 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. This information would be required in order to engage actuarial advice to determine future pension liabilities. The advice itself is costly and should only be commissioned when there is agreement that action is going to be taken.

costs across the three options presented in this financial case. This is because the digital transformation programme should be completed in that year.

5.2.2 Pensions: actuarial advice

The cost of actuarial advice is the fee payable to either the Government Actuary's Department or, in this case to the Strathclyde Pension Fund Actuary. The low cost is estimated to be £40k based on similar work taken forward recently within the Scottish Government. The high cost is estimated to be £75k assuming 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.

5.2.3 Pension: shortfall payment

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 staff⁴³. Analysis to date is based on numbers of individuals potentially in scope to transfer, their grade and FTE status. There is more work to be done before there is a list of named staff for transfer. Actuarial advice is normally only be commissioned when there is agreement to the transfer of a specific cohort of staff.

There are a range of factors which can affect the calculation of the shortfall payment including: take-up by affected staff, which can range from 20% to 80%, and each member of staff will make a decision based on their own personal circumstances; and the ages, salaries, previous reckonable service and prior pensions schemes of affected staff. Costs will tend to be much higher for older, longer serving employees. Therefore, there is no such a thing as a "comparable" case, and historical examples should **not** be regarded as representative or typical. (A further complexity is the McCloud Remedy which involves backdated adjustments to pension benefits meaning that some of the past examples may be subject to revision.) The final approach to staff transfers, and the terms on which they are offered, may be affected by the shortfall payment calculation in this case. Shortfall payment costs are so uncertain that they are not factored into any other calculations in this OBC. Actuarial costs have therefore been factored into the financial case as a transition cost, but no further costs for transferring staff pensions have been included at this point.

Once a decision is made, significant work and engagement will be required with SDS, staff, trade unions, pension fund administrators and actuaries to provide indicative costs before working towards providing staff with clear pension options.

5.2.4 National Insurance

Within the most recent UK Government Budget, it was announced that employer National Insurance contributions would be increased. Increased National insurance costs introduced by the UKG are not accounted for in as dialogue continues with the UK on an appropriate settlement to cover these costs across the Scottish public sector. Additionally, as the data was submitted by public bodies prior to the budget

⁴³ See, for example, the complexity in calculating transfer values for the LGPS: [LGPS Scotland Transfer Guidance Note 29 February 2024 .pdf \(pensions.gov.scot\)](#)

being announced and given there is uncertainty about how the rise will be implemented, it has not been factored into this financial case. The employer national insurance contribution will impact the staff costs by approximately a 1.2 per cent increase, and in turn the overall cost, across all three options. This would represent such a small increase in all the proposed options that the sensitivity analysis will account for this increase the staffing costs.

5.2.5 Staffing

The Scottish Government currently has a commitment to no compulsory redundancies across the public sector to March 2025. This commitment is reflected in all current pay agreements across affected public bodies. For the purposes of this OBC it has been assumed that no compulsory redundancies will be offered to staff and therefore any costs that may be incurred from such circumstances are not factored in.

Within that there is an acknowledgement that movement of functions from SDS to SFC in either Option 2 or Option 3 may result in excess capacity within some roles that partly support delivery of national training programmes. Aligned to wider policy position, the expectation is that all possible steps will be taken to avoid compulsory redundancy situations arising, including a number of measures already in place as a result of the current enhanced spend controls like recruitment restrictions, voluntary severance schemes and the exploration of opportunities for staff to take up alternative posts, either within their own organisation or elsewhere in the public sector.

Developing and implementing changes due to reform will happen over several years. Significant further work is required to scope out the workforce implications of that change. There will be detailed consultation and discussion with staff and recognised trade unions as options develop.

5.3 Methodology

The assessment of costs is centred on a nine-year appraisal period from 2025/26 to 2033/34. Costs are largely baselined from 2024/25 data. The working assumption is that any changes would be operational within 2026/27, with initial costs being incurred from 2025/26.

The financial case presents a best estimate of the costs based upon the available evidence of the current system. Further due diligence will need to be carried out, once Ministers have decided on their preferred option, to consider the full picture of actual costs. This detailed development work will be undertaken in partnership through implementation plans co-created with affected public bodies.

Total forecasted costs for each option are provided over the nine-year appraisal period. These are presented in nominal (cash) terms. The total costs are broken down by staff costs, non-staff costs and transition costs. Full descriptions of the make-up of each line are provided. Total estimated costs are then compared with commentary provided on the affordability of each option.

The three public bodies submitted returns to the project team between August and September 2024. Templates were not provided to public bodies and each public body provided the information requested in the format and using the assumptions that best reflected their existing operational planning assumptions.

Given the range of estimates and assumptions that have had to be made based on the availability of sufficiently detailed information, cost ranges have been provided for all options with lows and highs provided for each cost category. Similarly, additional sensitivity analysis has been undertaken on those cost estimates with most uncertainty. All cost estimates have been rounded to the nearest £1,000. Staff costings are based on full time equivalent for the purpose of the costings.

5.4 Option 1: Business as usual (BAU)

Option 1 represents the current running costs of the entirety of the post-school education and skills funding body landscape as administered through the three public bodies (SFC, SAAS and SDS). For SDS, the baseline is not the total running cost of the entire organisation, it is only inclusive of National Training Programmes functions and associated FTE corporate and systems costs. For both SFC and SAAS, the baseline includes all staff and non-staff running costs. These costs therefore equate to the entire running costs, at the national level, for funding all types of publicly funded post-school provision and the entire running costs for all types of student support. As this option will not result in any change, there are no transition costs associated with this option.

Table 31 below shows the estimated costs of maintaining the system in its current structures for the forecast period. No significant policy changes have been assumed. Only transformation work already planned or in progress, included by the public bodies in their baseline returns, has been factored in.

Table 31: Estimated staff and non-staff costs for Option 1 (£000s)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Staff costs									
Low	37,780	37,758	37,905	37,462	37,164	37,246	37,328	37,412	37,496
High	38,865	39,309	39,948	40,222	40,709	41,756	42,831	43,937	45,076
Non-staff costs									
Low	13,774	15,020	10,097	10,144	10,403	11,016	10,873	11,336	11,978
High	14,498	15,935	11,167	11,258	11,608	12,397	12,399	13,045	13,886
Total									
Low	51,554	52,778	48,002	47,606	47,566	48,262	48,201	48,748	49,474
High	53,364	55,243	51,116	51,480	52,317	54,153	55,230	56,982	58,962

Note: Numbers in tables may not add up to totals due to rounding

Staff costs include all staff related costs for those included in scope within SDS, SFC and SAAS. For SFC and SAAS this includes whole organisation staffing costs. For SDS this only includes staff working solely on, or largely on, development, delivery and funding of national training programmes, including apprenticeships. Staff costs for all public bodies include all 'on-costs' including salary, national insurance contributions and employer pension contributions. Due to staffing information being

provided in terms of minimum and maximum salary per grade, a low and high staffing figure has been provided.

Non-staff costs include IT systems, estates and a range of other corporate costs. Non-staff costs also include SAAS's capital expenditure, and the substantial reduction in cost in FY27/28 is due to the culmination of their digital transformation project. SAAS is the only public body that declared capital expenditure. For SFC and SAAS the non-staff cost represents the whole organisation non-staff costs. For SDS a pro-rata estimate has been applied based on the number of FTE estimated to be within scope of transfer.

5.5 Option 2: Consolidate all provision funding within one public body (SFC) and all student support funding within one public body (SAAS)

Option 2 incorporates the transfer of responsibilities between the public bodies and introduces the transition costs required in order to realise these structural changes.

5.5.1 Operating costs – Option 2

Table 32 shows the estimated staff and non-staff operating costs of realising this option over the 9-year appraisal period.

Table 32: Estimated operating staff and non-staff costs for Option 2 (£000s)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Staff costs									
Low	37,780	37,758	38,270	37,814	37,515	37,597	37,680	37,763	37,848
High	38,865	39,309	40,330	40,579	41,061	42,107	43,183	44,289	45,427
Non-staff costs									
Low	13,774	15,154	10,218	10,261	10,520	11,133	10,990	11,453	12,095
High	14,498	16,367	11,584	11,670	12,020	12,809	12,811	13,457	14,298
Total									
Low	51,554	52,912	48,488	48,075	48,035	48,730	48,670	49,217	49,943
High	53,364	55,675	51,914	52,250	53,081	54,916	55,993	57,746	59,725

Note: Numbers in tables may not add up to totals due to rounding

Costs for Option 2 are based on between 148.4 and 174.6 FTE staff transferring from SDS to SFC to fund development and delivery of national training programmes, including apprenticeships. Numbers of staff in scope of transfer are based on initial SDS modelling and would be subject to significant further work, including engagement with HR, recognised trade unions and affected staff, subject to a decision on the preferred way forward being made by Scottish Ministers. It is likely that the numbers in scope could be higher or lower than this range. It is assumed that headcount will continue to be managed down over the forecast period as per assumptions made within Transform 27. It is assumed that some harmonisation of terms and conditions would need to be worked through, and initial cost estimates have been applied based on current terms and conditions supplied by public bodies.

No staff have been scoped to transfer from SFC to SAAS to support delivery of further education student support. This reflects the fact that the team leading on this within SFC is small and that it is assumed that there will be no immediate policy

changes to the distribution of funds to colleges and therefore, that SAAS will be able to incorporate this work within existing resource. It is also assumed that existing SFC staff working on this area would be redeployed to other functions within SFC.

Regarding non-staff costs, it has been assumed within this option that proportions of non-staff costs within SDS related to national training programmes would be transferred to SFC. This is based on an assumption that IT systems required to deliver apprenticeships, such as FIPS: Funding Information and Processing System, would have to be migrated from SDS to SFC. The fact that commissioning, contracting models and the systems required to support delivery of apprenticeships may change in future is recognised in the economic and commercial cases. Detailed design work on the ideal “to be” future state will be taken forward in partnership with public bodies once Ministers have reached a decision on their preferred option.

Regarding estates, two scenarios have been included for the low and high range. For the low range no additional accommodation has been assumed for SFC and the increased headcount would have to be managed via a hybrid working strategy. The high range includes additional accommodation costs for SFC as a result of the increased headcount. Additional accommodation costs have been assumed based on recent comparable examples of shared public sector accommodation.

5.5.2 Transition Costs – Option 2

Transition costs are associated with the transfer of functions from one organisation to another. These are typically short-term or one-off costs related to planning, branding and marketing, advisory services, changes to IT systems, new equipment etc. It is expected transition costs will incur in 2025/26 and 2026/27. The detailed estimated transition costs for Option 2 are summarised in Table 33 below.

Table 33: Estimated transition costs for Option 2 (£000s)

Transitional Cost	25/26 Low	25/26 High	26/27 Low	26/27 High
Transition project staffing	538	1,039	1,108	2,140
Communications	0	0	200	375
Branding and marketing	0	0	200	314
Actuarial advice	0	0	40	75
Legal advice	0	0	40	75
Consultancy support	0	0	75	100
Pay harmonisation	0	0	201	210
IT equipment	0	0	223	388
Total	538	1,039	2,087	3,677

Note: Numbers in tables may not add up to totals due to rounding

It is assumed that a programme team would be established within the Scottish Government to manage the delivery of this option. This would include a range of specialists related to HR, finance, procurement, digital, data and systems. Secondments/loans from all affected public bodies have also been factored into a transitional team. The low to high range estimates for transitional project staffing are due to differing levels of resource and expertise being assumed. Costs for specialist skills have been estimated based on equivalent expertise within the education reform programme and from staff costs provided by public bodies.

Communications, branding and marketing costs have been estimated based on similar forecasts of recent comparable examples. High ranges would allow for a light touch rebranding exercise for SFC dependent on decisions made by Ministers and on the advice of the cross-public body implementation team on the future name, structure and communications approach of the future body.

As noted previously, it has not been possible to estimate full pension costs for the staff transfers at this stage in the Project. An assumption has been made that actuarial advice will need to be sought during the transition period. It is also assumed that other external legal advice may need to be sought during the transition period, including for any tax implications of making these changes. Additionally, some consultancy support has also been factored in to assist in areas such as governance and cultural change. These professional services cost estimated are based on similar work taken forward recently within the Scottish Government.

As noted above some initial estimates have been included for harmonisation of terms and conditions based on existing terms and conditions within the public bodies. It is important to note that the cost of pay harmonisation is currently based on an estimation - the actual cost incurred will be crystallised after negotiations and further engagement with trade union representatives. This estimate has been included as transition costs until 2026/27 and then incorporated into core cost forecasts thereafter.

Initial IT hardware and systems costs have been provided based on the current costs to SCOTS Connect customers. The costs are estimates and subject to change depending on what services are procured via iTECs. The initial estimate of IT equipment provided a low estimate of laptop and telephony equipment, whilst the high incorporated the cost of the installation of a new network.

5.5.3 Additionality – Option 2

Table 34 below shows the additional costs associated with Option 2 relative to Option 1 (BAU).

Table 34: Estimated additional costs for Option 2 (relative to Option 1) (£000s)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Staff costs									
Low	0	0	365	351	351	351	351	351	351
High	0	0	381	357	351	351	351	351	351
Non-staff costs									
Low	0	134	122	117	117	117	117	117	117
High	0	432	417	412	412	412	412	412	412
Transitional costs									
Low	538	2,087	0	0	0	0	0	0	0
High	1,039	3,677	0	0	0	0	0	0	0
Total									
Low	538	2,221	487	468	468	468	468	468	468
High	1,039	4,109	799	769	763	763	763	763	763

Note: Numbers in tables may not add up to totals due to rounding

The additional costs associated with Option 2 relative to Option 1 are related to transition costs as well as year on year increases in running costs as set out in the above sections. The transition costs are expected to be in the region of £2.6 million to £4.7 million over the assumed two-year transition period. The increases in the staff related running costs are expected to be up to £381,000 per year and between £117,000 and £423,000 per year for non-staff related running costs. These increases in the running costs relate to pay harmonisation and potential duplication of certain functionalities. This is due to the assumption made in the financial modelling that no changes will be made to the running of the system. However, it is worth noting that while running costs may increase in the short-term, longer term efficiencies and potential savings are expected to be realised as a direct result of this Project as well as through enabling activity in the wider reform space, as set out in the Strategic Case (see section 2.6).

5.6 Option 3: Consolidate all provision funding and all student support funding within one public body (SFC)

Option 3 incorporates the transfer of all funding responsibilities from SDS and SAAS to SFC and also shows the transition costs required in order to realise these changes.

5.6.1 Operating costs – Option 3

Table 35 shows the estimated staff and non-staff operating costs of realising this option over the 9-year appraisal period.

Table 35: Estimated operational staff and non-staff costs for Option 3 (£000s)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Staff costs									
Low	37,780	37,758	38,665	38,209	37,910	37,992	38,075	38,158	38,243
High	38,865	39,309	40,725	40,974	41,456	42,502	43,578	44,684	45,822
Non-staff costs									
Low	13,774	15,162	10,375	10,414	10,672	11,286	11,143	11,606	12,248
High	14,498	16,378	12,047	12,127	12,477	13,266	13,267	13,913	14,755
Total									
Low	51,554	52,920	49,040	48,622	48,582	49,278	49,217	49,764	50,490
High	53,364	55,687	52,771	53,101	53,932	55,768	56,845	58,597	60,577

Note: Numbers in tables may not add up to totals due to rounding

Within Option 3 staff costs are based on all SDS NTP and SAAS staff transferring on October 1, 2026, and the baseline assumptions remain relevant. The financial figures are estimated by calculating the transfer of staff from SDS to SFC (as in Option 2) with the addition of the staff and systems from SAAS transferring to SFC. As such, the data from Option 2 is built into the forecast for Option 3. Therefore, under Option 3, the forecast for SDS remains the same as in Option 2 for both the low and high staff forecast and the non-staff forecast.

Regarding student support provision, Option 3 is based on all SAAS staff transferring to SFC to manage further and higher education student support with the exception of small core team that would be retained within Scottish Government to manage the Student Loan Book⁴⁴.

Similarly to Option 2 it has been assumed that proportions of non-staff costs within SDS related to national training programmes would transfer, in addition to all non-staff running costs within SAAS transferring to SFC. This is based on an assumption that IT systems required to deliver both apprenticeships and student support would be migrated to the SFC. As outlined in the commercial case, these assumptions have been made on the basis that detailed design work on a future target operating model has not yet taken place and will only commence once a decision has been reached on the preferred way forward.

5.6.2 Transition Costs – Option 3

Transition costs for Option 3 are higher than for Option 2 in 2026/27 given the additional number of staff within scope to transfer from SAAS. The increased costs are from harmonisation of terms and conditions and IT equipment for additional staff transferring from SAAS. All other transition costs for Option 3 are based on the same assumptions as outlined within Option 2.

Table 36: Estimated transitional costs for Option 3 (£000s)

Transitional Cost	25/26 Low	25/26 High	26/27 Low	26/27 High
Transition project staffing	538	1,039	1,108	2,140
Communications	0	0	571	1,041
Branding and marketing	0	0	571	872
Actuarial advice	0	0	114	208
Legal advice	0	0	114	208
Consultancy support	0	0	214	278
Pay harmonisation	0	0	201	409
IT equipment	0	0	636	1,077
Total	538	1,039	3,529	6,233

Note: Numbers in tables may not add up to totals due to rounding

⁴⁴ It became apparent during the OBC development that it may not be possible to transfer the total value of the student loan book or related governance functions to a NDPB. For the purposes of this OBC it has been assumed that a small team of civil servants would have to be retained within the Scottish Government to deliver these functions if Option 3 were to be progressed further. The cost of these civil servants is estimated to be between £204k and £208k. Significant further work would be required to further consider this issue and the potential solutions.

5.6.3 Additionality – Option 3

Table 37 below shows the additional costs associated with Option 3 relative to Option 1 (BAU).

Table 37: Estimated additional costs for Option 3 (relative to Option 1) (£000s)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Staff costs									
Low	0	0	760	746	746	746	746	746	746
High	0	0	777	752	746	746	746	746	746
Non-staff costs									
Low	0	141	279	270	270	270	270	270	270
High	0	443	879	869	869	869	869	869	869
Transitional costs									
Low	538	3,531	0	0	0	0	0	0	0
High	1,039	6,233	0	0	0	0	0	0	0
Total									
Low	538	3,673	1,039	1,016	1,016	1,016	1,016	1,016	1,016
High	1,039	6,677	1,656	1,621	1,615	1,615	1,615	1,615	1,615

Note: Numbers in tables may not add up to totals due to rounding

As with Option 2 the additional costs associated with Option 3 relative to Option 1 are related to transition costs as well as year on year increases in running costs as set out in the above sections. The transition costs are expected to be in the region of £4.1 million to £7.3 million over the assumed two-year transition period. The staff related running costs are expected to be around £750,000 per year higher and non-staff related running costs around £0.3 million to £0.9 million per year.

5.7 Summary of the options

Table 38 below summarises the total estimated costs for each option over the 9-year appraisal period.

Table 38: Summary of total estimated costs for each Option (£ million)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Option 1									
Low	51.6	52.8	48.0	47.6	47.6	48.3	48.2	48.7	49.5
High	53.4	55.2	51.1	51.5	52.3	54.2	55.2	57.0	59.0
Option 2									
Low	52.1	55.0	48.5	48.1	48.0	48.7	48.7	49.2	49.9
High	54.4	59.4	51.9	52.2	53.1	54.9	56.0	57.7	59.7
Option 3									
Low	52.1	56.5	49.0	48.6	48.6	49.3	49.2	49.8	50.5
High	54.4	61.9	52.8	53.1	53.9	55.8	56.8	58.6	60.6

Note: Numbers in tables may not add up to totals due to rounding

Table 39 below summarises the total additional costs for Options 2 and 3 relative to Option 1 over the 9-year appraisal period.

Table 39: Summary of estimated additional cost for Option 2 and 3 (relative to Option 1) (£ million)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Option 2									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	1.0	4.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Option 3									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	1.0	6.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6

Note: Numbers in tables may not add up to totals due to rounding

5.8 Sensitivities

As outlined in the Socio-Economic Case, three sensitivity tests were conducted to account for uncertainties in estimating the transition costs as well as staff costs over the 9-year appraisal period for Options 2 and 3⁴⁵. The first scenario assumes a 10% year-on-year increase in the “high” staff costs for those in scope to transfer from 2026/27 onwards. The second scenario assumes a 100% increase in the “high” transition costs over 2025/26 and 2026/27. Finally, the third scenario combines scenarios 1 and 2.

Table 40 shows how the total additional costs for Options 2 over the 9-year appraisal period change relative to Option 1 in all the three scenarios. “Low” estimates remain unchanged.

Table 40: Total additional costs of Option 2 (relative to Option 1) for each sensitivity scenario (£ million)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Scenario 1									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	1.0	5.1	1.8	1.7	1.6	1.7	1.7	1.7	1.7
Scenario 2									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	2.1	7.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Scenario 3									
Low	0.5	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
High	2.1	8.8	1.8	1.7	1.6	1.7	1.7	1.7	1.7

Note: Numbers in tables may not add up to totals due to rounding

Table 41 shows how the total additional costs for Option 3 over the 9-year appraisal period change relative to Option 1 in all the three scenarios. “Low” estimates remain unchanged.

⁴⁵ Option 1 remains unchanged

Table 41: Total additional costs of Option 3 (relative to Option 1) for each sensitivity scenario (£ million)

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Scenario 1									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	1.0	8.9	4.0	3.9	3.9	3.9	4.0	4.0	4.1
Scenario 2									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	2.1	12.9	1.7	1.6	1.6	1.6	1.6	1.6	1.6
Scenario 3									
Low	0.5	3.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
High	2.1	15.2	4.0	3.9	3.9	3.9	4.0	4.0	4.1

Note: Numbers in tables may not add up to totals due to rounding

5.9 Overall affordability

In summary, the three options have been assessed on a consistent basis to help provide an accurate picture of affordability of the two options for structural reform compared to business as usual. Given there is no clarity yet on the budget for 2025/26, 2026/27 and beyond, it is not possible to say if all options are feasible and could be progressed within current budget constraints. Even though a commitment has been made to bring forward the necessary legislation to give effect to the changes considered in this Outline Business Case, the consultation on the legislation made clear that implementation would, most likely, be for a future administration to consider as part of its budget process.

While it has not been possible to quantify the potential level of savings that could be released as a result of reform at this time, this work will continue to be modelled as detailed design work towards a new target operating model across all public bodies progresses. In the absence of the modelling of potential savings, Option 1 (BAU) is the lowest cost option to implement. However, given the challenging budgetary context and the need to adapt the system to become more flexible and fleet of foot, it is unlikely that a 'do nothing' scenario would be affordable in the long term and therefore demonstrable efficiencies would be required in all scenarios.

6. Management Case

6.1 Introduction

The purpose of the Management Case is to provide confidence that recognised project management methods and robust governance arrangements are planned, or are in place, to deliver this specific Project to time, cost and quality.

This Management Case is in two parts; one to set out the project and programme structures that have been in place to support the development of this OBC; and the second, to provide early thoughts on the project structures that will require to be put in place to develop detailed, shared implementation plans sufficient to ensure successful delivery of the preferred option, once Ministers have reached a decision.

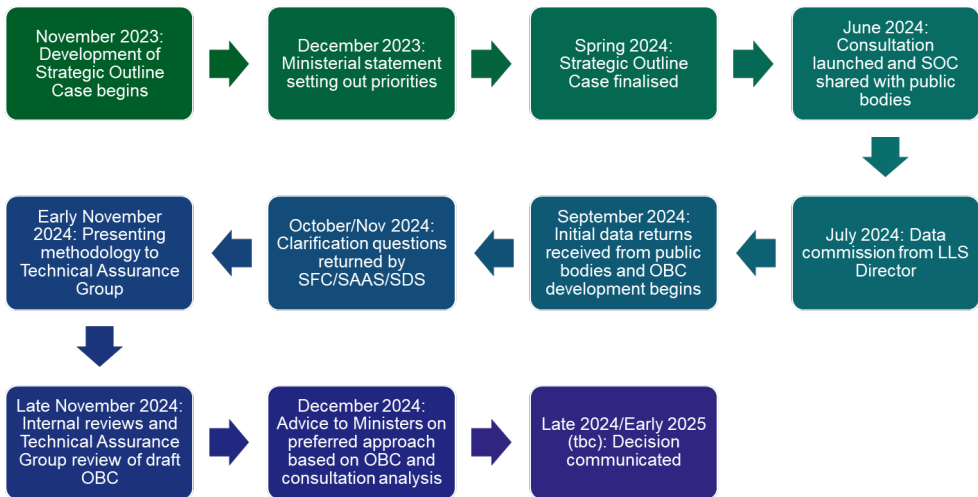
Successful delivery of this project is predicated on progressing the next phase of work to develop the implementation plan and delivery structures in partnership with SAAS, SFC and SDS and ensuring the knowledge and expertise of their dedicated and committed staff can be brought to bear on designing a new system that is fit for the future.

This means the Management Case for future delivery is high level at this stage. It sets out an indicative timeline for work, a benefits realisation approach and focuses on the principles for developing a more detailed implementation plan, in partnership, once a decision has been made. This will be vital to ensure there is confidence that the delivery capabilities, management strategies and project and programme governance are in place to deliver transformation to the required high standards.

6.2 Timelines for development of OBC

Figure 3 below sets out the timeline and phases for development of the Strategic Outline Case and further development to the conclusion of this Outline Business Case process resulting in a Ministerial decision on the preferred way forward before embarking upon more detailed development of implementation plans.

Figure 3: Timeline and phases for the Business Case process and Ministerial decision



6.3 Governance and Reporting Arrangements for development of the OBC

The development of the OBC has been overseen by an internal Scottish Government Project Board and Programme Board. The Boards supported delivery and strategic direction, provided a forum for discussion and escalation of risks and issues and enabled timely decision-making at an appropriate level of authority. They were also vital in providing assurance to senior leaders within the Scottish Government and Ministers on progress with the work.

The internal governance arrangements and Ministerial oversight reflect the cross-cutting nature of the Project with the Programme Board in particular drawing in representation from areas within core Scottish Government in scope or potentially impacted by the changes to simplify the post-school funding body landscape. This included Directors for Economic Strategy and Delivery, Tackling Child Poverty and Social Justice, and Public Service Reform given the Project’s potential impact on outcomes in these areas.

More information about the governance and reporting arrangements is set out below.

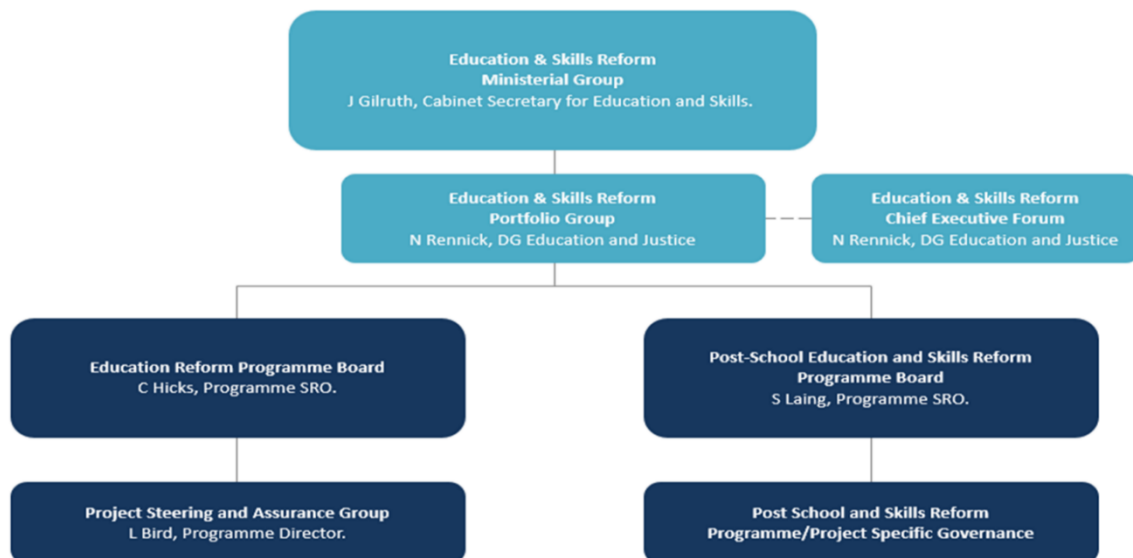
6.3.1 Portfolio Level Governance

Simplification of the post-school funding landscape is a workstream within the public bodies reform project, which is in turn, part of the post-school education and skills reform programme. This project reports into the internal, Scottish Government post-school education and skills reform programme and project Boards, and subsequently, through wider governance structures, for example, those tracking delivery of Programme for Government. The post-school education and skills reform programme is part of a wider governance structure covering the education and skills reform portfolio.

At portfolio level, this considers the lifelong education and skills system in the round, particularly the links between education reform and post-school education and skills reform but also bringing in early years.

Figure 4 below shows the cross-programme governance structures that have been agreed by Ministers.

Figure 4: Cross-programme governance structures



The Ministerial Group on Education and Skills Reform was announced by the Cabinet Secretary for Education and Skills in November 2023 and its role is to provide a forum for Ministers to seek views from the profession and independent experts on the opportunities and challenges within the education and skills sector. The group meets around twice per year.

The Education and Skills Portfolio Group is chaired by the Director General for Education and Justice as Principle Accountable Officer for Education and Skills Reform. All lead Directors attend for their programmes.

The Chief Executive Forum for Education and Skills Reform was established in January 2024 and meets quarterly. It provides an opportunity to bring together all public body Chief Executives directly affected by reform with the relevant senior officials across Scottish Government to discuss progress and next steps with the Education and Skills Reform Programme. Again, it is chaired by the Director General for Education and Justice.

6.3.2 Programme Level Governance

The post-school education & skills reform programme is currently made up of five projects, each at varying stages of maturity.

These projects are represented in Figure 5 below:

- Skills Planning.
- Apprenticeship Reform.
- Simplification of the Funding Body Landscape.
- Post-school Qualifications.
- Careers Support.

Figure 5: Projects in the Post-school Education & Skills Reform Programme



The governance of the development of the OBC is aligned with the governance arrangements of the wider programme. At present, work specific to individual projects will adopt their own structures appropriate to the stage of their work, noting that each project is at a different level of maturity. It is expected that project and programme level governance, in particular membership, will adapt and change as projects and programmes reach different stages of maturity.

The programme board meets on a six weekly basis and provides strategic oversight, governance and assurance on the post-school education and skills reform programme.

It reports directly to the Minister for Further and Higher Education and Cabinet Secretary for Education and Skills through the DG Education and Skills Reform Portfolio Group.

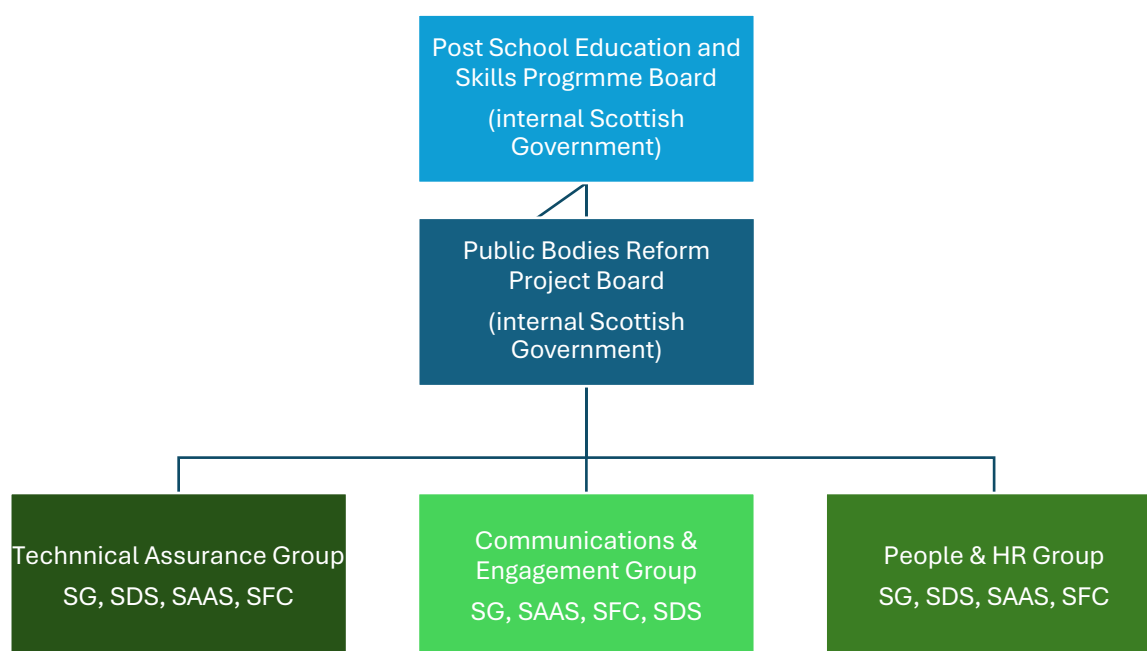
The board bolsters strategic capabilities and assurance on the post-school education and skills reform programme on behalf of the Director General Education and Justice (DGEJ) as Accountable Officer (AO). The post-school education and skills reform programme is also included on the DG Transformational Projects Register.

The programme board scrutinises strategic risks identified and provides an additional layer of risk assurance/escalation, informing the Corporate Risk Management approach and providing further independent view of risk management.

At present, the board is internal to the Scottish Government and is comprised of Scottish Government Directors and the Lifelong Learning and Skills Senior Leadership Team who are SROs for the individual projects that make up the Reform Programme. Membership of the Programme Board will be kept under review and may be adapted and updated to include external representatives as the programme reaches different stages of development.

6.3.3 Project Level Governance

Figure 6 below shows the project level governance for the Public Bodies Reform project. The development of the Outline Business Case for simplification of the funding body landscape is one workstream within that project. This Project Board has considered the project plan, risks and issues and is the escalation route between the project and programme board; signing off the highlight report and any substantive updates in advance of programme board meetings. The Public Bodies Reform Project Board has been internal to Scottish Government to date and has included colleagues responsible for Finance, Education Reform and other projects within the programme.

Figure 6: Project level governance

To support the development of the OBC and the communication of wider reform programme priorities to public bodies, and to consider any people and HR issues, three groups have been established.

6.3.4 Technical Assurance Group

The Technical Assurance Group has included senior representation from the three public bodies and has supported the development and assurance of the technical returns that were commissioned by the Scottish Government in the summer and returned from each public body. This group has supported the gathering of further information and questions for clarification from the initial submissions. This group has also considered the methodology the project team has applied to development of the OBC and has checked elements of the business case for factual accuracy, providing assurance where appropriate.

It was originally envisaged that technical working groups would be required to support the baselining and appraisal activity for the OBC with the Technical Assurance Group sitting above these groups and quality assuring and signing off outputs from each subgroup.

It was proposed there would be four technical working groups:

- Apprenticeships and other national training programmes.
- College provision.
- University provision.
- Student support.

The approach taken to baselining and appraisal of the options within the OBC evolved as information was received from public bodies.

As a result, members of the Technical Assurance Group were asked to support coordination of:

- Baselining of funding processes carried out by each of the public bodies (SDS, SFC, SAAS) setting out all types of provision and student support and the detailed process maps held by each organisation.
- Baselining of the financial data has been conducted by each of the public bodies (SDS, SFC, SAAS) - reviewing their own financial costs related to funding of provision and student support.
- Providing the necessary links to expertise within their public bodies to address any areas for clarification or where further detail was required.

The data returns commissioned provided a significant amount of the technical information and detail required to develop the OBC. This negated the need to establish the technical working groups in the way that had originally been envisaged to deliver the OBC. Instead, engagement with the public bodies on the OBC primarily flowed through the Technical Assurance Group, with detailed follow up with groups of public bodies staff as required.

The OBC is a Scottish Government product and the analysis contained within it has been completed by Scottish Government analysts and economists. While the methodologies applied in the development of this business case have been shared with the Technical Assurance Group, they have not been asked to provide assurance on the OBC as a whole. The quality assurance of the financial and economic cases has been provided by professional groups within the Scottish Government, with any commentary on the case provided by public bodies being captured and communicated as part of the package of advice submitted to the programme board and to Scottish Ministers.

6.3.5 Communications and Stakeholder Engagement

This group was established in June following the publication of the public consultation into simplification of the post-school funding body landscape. The group is chaired by Scottish Government and includes representation from all affected public bodies (SDS, SFC, SAAS). The group meets on a fortnightly basis and has had responsibility for oversight of core communications materials for staff across public bodies including the development of newsletters and Frequently Asked Questions. It has also been a forum for sharing information on feedback from staff in affected public bodies, discussing approaches to engagement of public bodies staff across all aspects of the reform programme.

Detailed discussions and engagements have also taken place with leadership teams of all public bodies and with wider stakeholders. This has included staff engagement with the Minister for Higher and Further Education, and also direct engagement through the respective public bodies representatives involved with staff engagement and communications. Additional capacity is now being brought into the programme team to further develop the approach to communication for the Reform Programme as a whole.

This is likely to include appropriate updates to the Scottish Parliament, relevant Committees and any wider external stakeholder groups.

As this project progresses and work moves into a different phase, the approach to communications and engagement also moves into a different space becoming much more intensive and requiring a much more rigorous approach, in particular in ensuring that staff within the public bodies who are most directly impacted by the change are clear about what is happening when and the opportunities that they will have to be involved and engaged in that work as it develops.

Developing a shared approach to this will be a key part of the next phase of the project.

6.3.6 People and HR

While a formal People and HR group has not yet been established with an agreed terms of reference and scope of work, the HR leads for Scottish Government, SAAS, SDS and SFC have come together on a number of occasions to discuss the potential impacts of options outlined in the OBC and public consultation and to begin to consider the work required following a decision being taken by Scottish Ministers. It is expected that this group will play a key role in discussing and agreeing approaches to the HR implications once a decision has been taken.

6.3.7 Trade Unions

Scottish Government wrote to recognised Trade Unions at the time of the consultation being published. A further meeting was set up to go through the methodology for development of the Strategic Outline Case, to set out the next steps in development of the OBC and to take views on the ways in which Trade Unions would wish to be engaged in the work going forward. An engagement plan is currently being developed for consideration with Trade Unions to determine the right format, frequency and content for engagement and the appropriate touch points between Scottish Government at the national level and for public bodies in their engagement with local branch representatives. To date, these engagements have taken place with both national and branch representation at the same meetings. Our expectation is that Trade Union engagement will intensify following Ministers making a decision on the preferred way forward.

6.4 Risk Management

The Scottish Government Risk Management Strategy and Policy is designed to ensure that there are proportionate risk management policies and processes in place. This includes provision of programme and project level risk registers to the relevant Boards and supporting processes to ensure their regular and robust management.

The risk management framework and programme governance structure ensure that appropriate mechanisms are in place to escalate risks. The development of the OBC has been regularly monitored and reviewed through the governance structures to assess progress and escalate any risks or issues that are deemed to require greater intervention.

The risk management mechanisms support the identification and management of risks, issues, assumptions and dependencies relating to the development and delivery which ensures that risks and issues are managed proportionately.

The governance structures have suitable processes in place to raise risks and issues with the relevant internal Scottish Government Programme and Project Boards. The risks and issues are regularly reviewed internally by the Scottish Government, with feedback from engagement with the Technical Assurance Group and stakeholders used to track risks and issues, where required. In order to ensure the Project can be delivered, risk management mechanisms have allowed for risks to be controlled, recognising that communication is key to the risk management process and robust risk 'management information' is crucial in driving improvements in senior level decision making.

6.5 Governance and Reporting Arrangements following a Ministerial decision

Once a decision on a preferred way forward has been made, governance arrangements for the next phase of work will be co-designed with affected public bodies, including significant opportunities for direct engagement with front line staff who know the system best.

6.5.1 Assurance

The Public Bodies Reform Project, including simplification of the post-school funding body landscape, will continue to report into the governance arrangements outlined in the previous section, in particular the post-school education and skills reform programme board. However, it is clear that other governance and assurance arrangements to take forward the next phase of work in partnership will have to be developed and agreed.

It will also be necessary for the project to progress thought all necessary Gateway, digital, internal audit and other assurance mechanisms as required.

It is likely that a new Project Board and/or other project delivery structure will have to be established to ensure that there is shared ownership of development and delivery of the next phase of work.

In addition to the Technical Assurance, Communications and Engagement and People Groups, other technical working groups will be needed for the implementation phase to assess future options for delivery. The composition, focus and scope of these groups will be determined with input from public bodies as part of the detailed development of implementation plans.

6.6 Indicative timescales for next steps

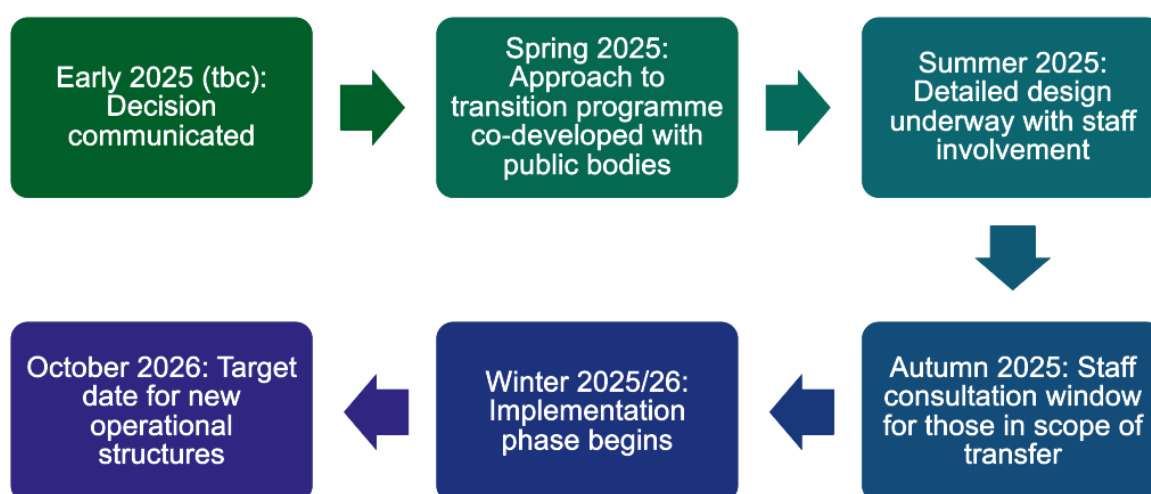
This Outline Business Case and the Consultation Report from the public consultation on simplification of the post-school funding body landscape that took place over the summer in 2024 will be provided to Ministers in December 2024. This will enable

Ministers to make an informed decision on their preferred way forward and enable detailed planning for implementation based on a single option to commence.

Once Ministers make a decision and have communicated this to public bodies, trade unions and stakeholders, detailed planning, in partnership with affected public bodies, can begin.

This will include establishing the right governance, delivery structures and lines of accountability, as well as exploring opportunities for secondment/sharing of staff to take forward detailed development and design work for the future system. An indicative timeline for some of these next steps is set out in Figure 7.

Figure 7: Indicative timeline for the next steps



6.7 Principles for implementation

While this management case is not setting out pre-determined structures for the implementation phase, there are some key principles that will guide the approach to the next phase of work.

- **Lead with culture** – once Ministers have made their decision on a preferred option to deliver simplification of the funding body landscape there will be a need to create a new culture for the future system that draws on the best elements of each of the existing public bodies. This is the first step in developing and delivering a new public body funding landscape for the benefit of Scotland's learners and employers.
- **Start at the top** – The collective and collaborative leadership of the Boards and senior leadership teams within Scottish Government, SAAS, SDS and SFC will be vital in ensuring that a strong and consistent message and vision for the future is communicated internally and externally and that the right resources and enabling delivery environment can be created to achieve Ministers' ambitions.
- **Effective engagement** – It is clear that there has been a sense of frustration at the level of engagement that has been possible to date. As the next phase of detailed development and delivery is embarked upon it is vital that the people who have the most detailed knowledge and experience of the system are involved in its future design. It is important that fair work principles are at the heart of this engagement.

6.8 Change Control

Change Management

The change management process will be developed in the implementation phase as transitional working groups are stood up and based what is needed to successfully implement Ministers' decisions to deliver outcomes and measurable improvements. The Project will aim to ensure that the appropriate mechanisms are in place to get organisations, systems, services and staff ready for change.

Where appropriate, staffing resources will be managed by public bodies to meet the demands of the post-school funding body landscape, with opportunities for staff from within Scottish Government and across affected public bodies to gain new skills that can be used in future roles.

Once a Ministerial decision has been made, and implementation plans have been developed, the change management process will evolve to meet the needs of the Project. Where resource, including the movement of the workforce, is required from Public Bodies to support the future functions that are attributed to the simplified post-school funding body landscape, advice will be provided by HR and Legal professionals which will be in line with employment law and transfer of undertakings protection of employment rights (TUPE) or equivalent legislation.

6.9 Benefits Realisation

As outlined earlier in the OBC and within the strategic case, the Project aims to simplify processes and systems, to deliver a more effective post-school funding body landscape for the future.

A critical part of this Project is ensuring that there is a smooth and manageable process for future organisational change. As a result, the benefits accruing from this project will be linked to those from other projects within the current and future programme scope. The Programme Board will establish a common and proportionate approach to benefits management and realisation, to ensure that the expected outcomes and benefits across the Reform programme as a whole are prioritised, tracked and realised.

This common approach will be built out from the Programme level business case, and flow down to the Project-level vision statement as outlined in the project-level strategic case, and the success criteria and appraisal process as outlined in the economic case.

Once a final option for implementation is confirmed, the Project governance arrangements set out here will form the basis of a delivery plan, including the agreed approach to benefits management and realisation. The Benefits Realisation Plan will include the benefits to be prioritised; who will be responsible for delivering those benefits; and which metrics are most appropriate for tracking progress. The progress tracking will include consideration of who benefits and how at each stage of the implementation - linking back to the bespoke project logic model outcomes - and will be incorporated in evaluation activity for the project and programme overall.

A schedule for regular reporting of progress against the Benefits Realisation Plan will be agreed with the Project and Programme Boards as required, providing a link to any changes to the project plan and to risks and dependencies across the programme.

6.9.1 Monitoring and Evaluation

Monitoring and evaluation for this project will follow the same approach as the wider Reform programme, using the Purpose and Principles outcomes and the bespoke project-level logic model as the basis for evaluation planning.

Project monitoring will follow the metrics set out in the benefits realisation plans and will be part of a wider framework of measures to track delivery across the Programme as a whole. Any evaluation activity required will follow Government Social Research and Magenta Book guidelines and is likely to require a mixed-methods approach and include the following elements:

- **Process measures** – to capture how the final agreed option has been implemented, including feedback from partners and stakeholders.
- **Output measures** – what activity has been delivered and how those involved have experienced implementation of the changes.
- **Outcome measures** – what changes are observed as a result of the implementation of the agreed option over time.
- **Impact measures** – what contribution can the project level changes make to the post-school education and skills system and economy overall.

Scottish Government Analysts will also ensure that the activities to monitor and evaluate the project are aligned with activity to design and track benefits realisation for the project and wider programme, seeking to avoid duplication of efforts and expense.

Figure 8: Post-school Education and Skills Reform – current context for measurement

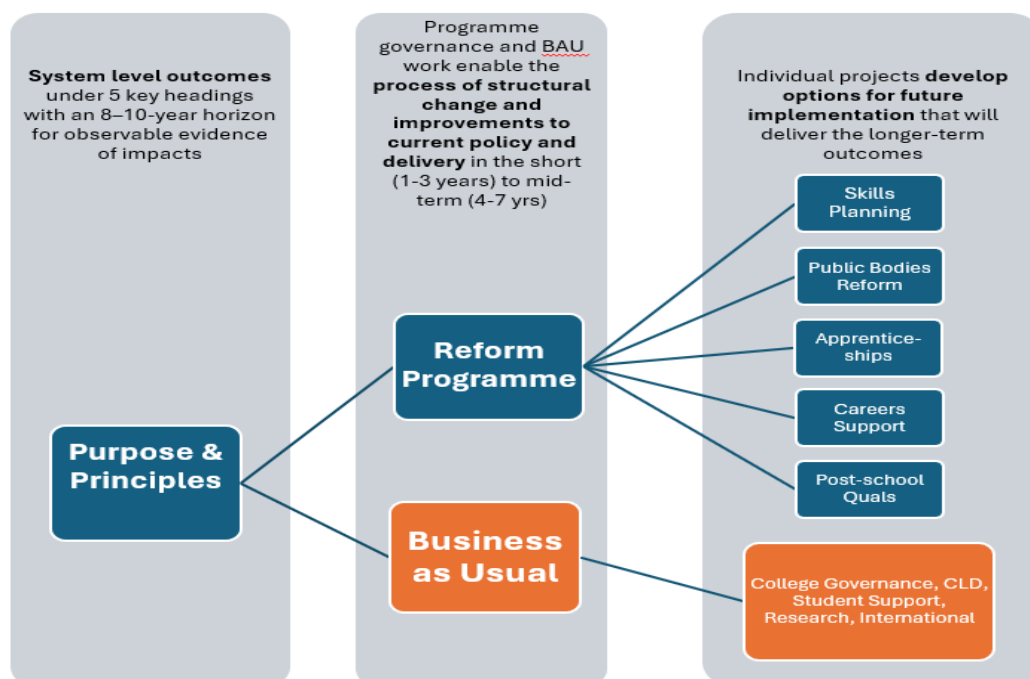
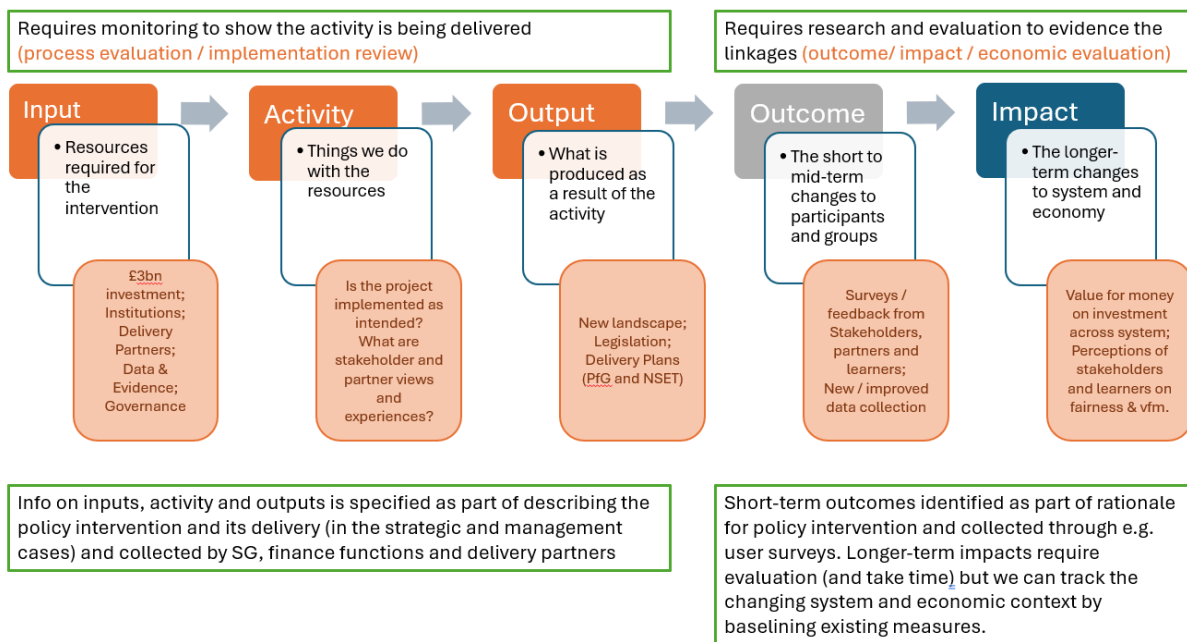


Figure 9: Monitoring and evaluation approach based on theory of change for the project



6.10 Strategies and Framework

The strategies, plans and frameworks described in this management case are living documents which will be developed, maintained and updated regularly throughout the lifecycle of the programme to ensure they support delivery. The latest versions will be held in the Scottish Government's Electronic Records and Document Management system (eRDM).

7. Related Publications

A supplementary note to provide further information about the analytical approach taken in the Socio-Economic Case has been published to sit alongside the Outline Business Case (OBC).

This note covers the methodology adopted in developing the Socio-Economic Case of the OBC as well as the quality assurance (QA) processes undertaken.

More information can be found in the supplementary note linked below:

- [A summary of the analytical approach taken in developing the Socio-Economic Case](#)

Annex A – Purpose and Principles

Purpose and Principles – System Level Outcomes & Initial Priorities

<p>Purpose To develop new thinking, products and systems through research and to ensure that people, at every stage in life, have the opportunity and means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.</p>		
<p>Principles</p>	<p>Long Term System Outcomes</p>	<p>Initial Priorities</p>
<p>Transparent, Resilient and Trusted</p> <p>The system is financially and environmentally resilient; trusted to deliver, and subject to effective governance.</p>	<p>Public funding models for education, skills and research are fair, transparent, and maximise value.</p> <p>All parts of the post-school system are trusted to deliver, environmentally and financially resilient and held to account for their impacts on learners, practitioners, local communities, and the wellbeing economy.</p> <p>Collaboration across the post-school system is pursued proactively with shared values and a common purpose.</p>	<p>To lead the development of a new model of public funding for all forms of provision.</p> <p>To investigate the options to deliver a single funding body, including tuition and living cost support, paying regard to issues such as the status and scope of the body's responsibilities.</p> <p>To include responsibility for overseeing all publicly funded post-school qualifications (except degrees) and the underpinning occupational standards and skills frameworks as part of the new qualifications body.</p>
<p>Supportive and Equitable</p> <p>People are supported throughout their learning journey, particularly those who need it most.</p>	<p>The public funding system for student support is perceived as fair, transparent and accessible by learners, providers and employers. Learners have access to holistic, person-centred support, empowering them to access, sustain and complete their learning.</p>	<p>Within financial constraints, build on manifesto commitments and undertake a review of student support for part-time learners to improve the parity of support on offer, especially for those who are returning to learning and may have other caring or work-related responsibilities.</p> <p>Develop a model for student support and engagement that takes account of all provision pathways and not just further and higher education, including considering apprenticeships and CLD.</p>
<p>High Quality</p> <p>High quality opportunities are available for people to enhance their</p>	<p>A motivated and valued workforce of practitioners are empowered to deliver consistent high-quality learning opportunities.</p>	<p>Build on the work of the recommendations from the Careers Review to consider options for embedding careers advice and education within communities,</p>

<p>knowledge and skills at the time and place that is right for them.</p>	<p>Learners have the skills and knowledge they need to secure or progress in sustained employment that is well-aligned to local, national and international economic and social need.</p> <p>The system supports a culture of lifelong learning with a 'no wrong door' approach, where learners have equity of access and opportunity to fulfil their interests and potential.</p>	<p>educational settings and workplaces across Scotland; including options for future delivery of national careers services.</p> <p>Build a comprehensive understanding of the post-school qualifications landscape to inform processes for developing, funding, assuring and approving publicly funded qualifications, and actions for wider reform of the qualifications landscape - including improved articulation with the senior phase.</p> <p>Lead work to inform our future approach to apprenticeship development and delivery as part of an integrated landscape of pathways.</p> <p>Work with institutions, public bodies and unions to ensure that staff at all levels are supported and empowered to deliver the high-quality work required by students, society and the wellbeing economy, in keeping with fair work principles.</p>
<p>Globally Respected</p> <p>Research, teaching, innovation and knowledge exchange undertaken by Scotland, must make a difference; enhance and contribute to global wellbeing, addressing 21st Century challenges such as the climate emergency and attracting inward investment and talent to study, live and work in Scotland.</p>	<p>Scotland's post-school system is internationally recognised for research, teaching, and innovation, leveraging substantial funding from international and domestic sources.</p> <p>Providers attract and retain a highly trained teaching, innovation, and research workforce with global reach and impact.</p> <p>Scotland's internationally competitive economy is underpinned by world-leading research, teaching, innovation and knowledge exchange, driving inward investment and productivity.</p>	<p>Use and improve Study in Scotland materials as part of our approach through NSET to talent attraction and retention.</p> <p>Take forward a pilot international mobility programme co-designed with sector representatives.</p> <p>Continue to seek to influence the UK Government to secure our future association to Horizon Europe and other EU research programmes and ensure Scottish interests are protected regardless of outcome.</p>

<p>Agile and Responsive</p> <p>Everybody in the system collaborates to deliver in the best interests of Scotland's wellbeing economy</p>	<p>Collaboration between policymakers, employers and providers produces a supply of talent and innovation to help drive Scotland's wellbeing economy. Learners, no matter their background or prior attainment, can develop skills to enter and progress in good quality employment and/or realise their potential. Scotland has an aligned and responsive regional skills delivery system fuelling a suitably skilled and motivated workforce, increasing productivity and business success at local, regional and national level.</p>	<p>To take responsibility for skills planning – developing an approach at a national level that works with partners to set clear priorities. Enhance and embed the role of employers in shaping system planning priorities, pathways and provision. This will be supported by a regional approach that builds on existing regional economic partnerships and has employers and local providers, in particular colleges, at the centre.</p>
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Annex B – Full Long-list Appraisal Write-up

Long-list of options

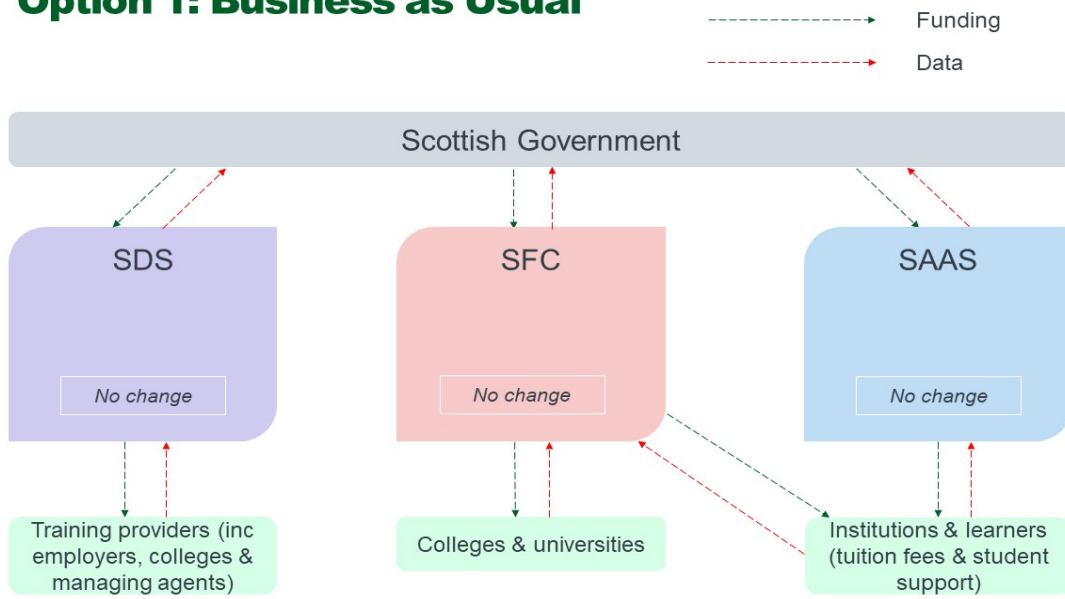
Eight long-listed options with sub-options for different delivery methods have been developed as a result of several workshops and engagement with policy areas. The table below lists the options developed, with the sections below providing further detail on each.

Long-list of options

Option 1	Business as usual	
<i>Options to solely move provision</i>		
	<i>Provision</i>	<i>Student Support</i>
Option 2	Movement of National Training Programmes (NTP) funding to SDS.	No changes.
Option 3	Movement of NTP funding and staff to d. SFC e. SAAS f. SDS	No changes.
<i>Options to solely move student support</i>		
	<i>Provision</i>	<i>Student Support</i>
Option 4	No changes.	All student support funding delivered through d. SFC e. SAAS f. SDS
<i>Options to move both provision and student support</i>		
	<i>Provision</i>	<i>Student Support</i>
Option 5	Movement of NTP funding to SDS.	Movement of FE student support funding to SAAS.
Option 6	Movement of NTP funding and staff to h. SFC i. SFC j. SFC k. SAAS l. SDS m. SDS n. SDS	All student support funding delivered through h. SAAS i. SFC (SFB) j. SDS k. SAAS l. SAAS m. SFC n. SDS
Option 7	Movement of all provision and staff to d. SAAS e. SDS f. SDS	All student support funding delivered through d. SAAS (SFB) e. SAAS f. SDS (SFB)
<i>Options to create an entirely new funding body for provision and student support</i>		
Option 8	A new single funding body	

Option 1 – Business as Usual

Option 1: Business as Usual

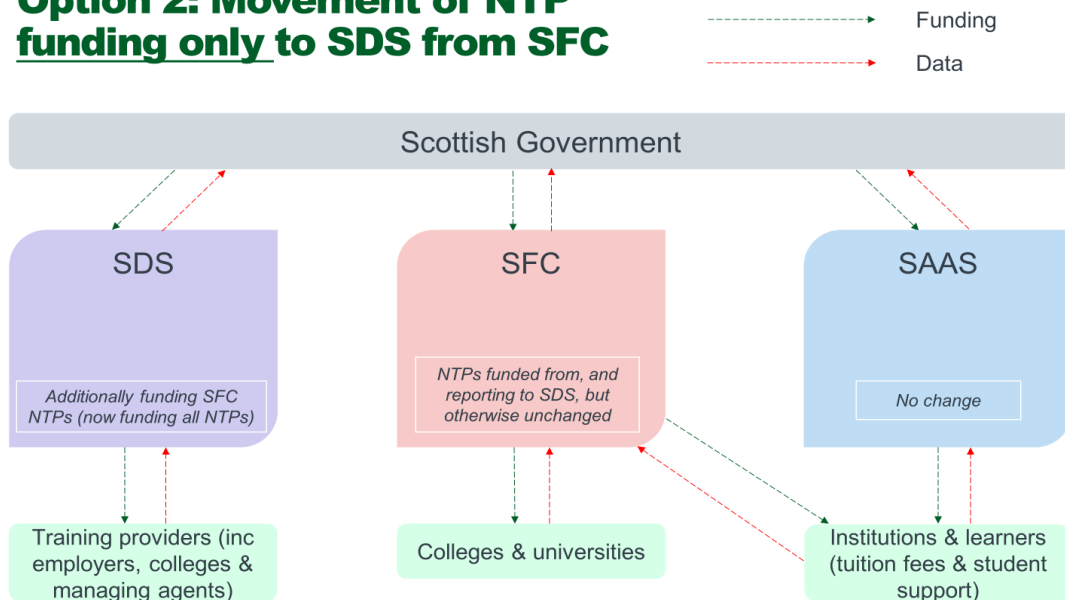


Delivery of post-school education and skills funding would continue to be delivered through three bodies (SFC, SAAS and SDS).

Option 2 – Movement of NTP funding only from SFC to SDS. No changes to student support funding arrangements

*This option can also be used as an interim step for other options

Option 2: Movement of NTP funding only to SDS from SFC

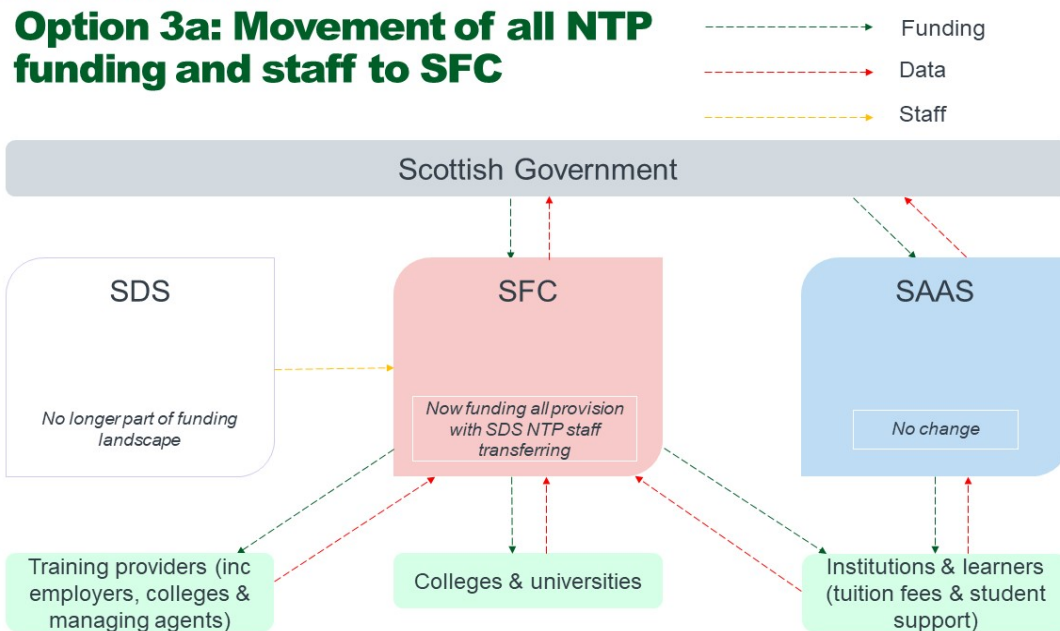


This option would allow all national training programme funding to be distributed by one public body (SDS) which would allow some flexibility across different apprenticeship schemes. The core funding, routed through the credit model that SFC currently uses to fund GA's, some elements of MA's and FA's would be redirected to SDS for SDS to allocate across the apprenticeship schemes. This would allow all data on apprenticeships to flow to the Scottish Government from one organisation,

however provision would still be split across SDS and SFC. Research funding would still sit within SFC and there would be no change to student support funding which would still be split across SFC and SAAS.

Option 3a – Movement of NTP funding and staff from SDS to SFC.

*This option can also be used as an interim step for other options

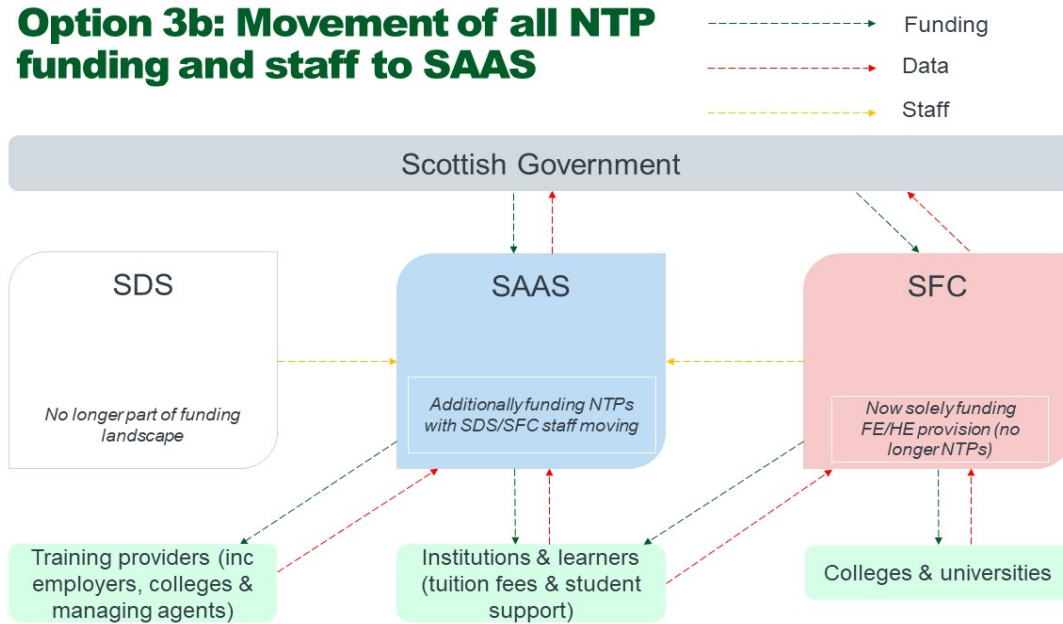


This option would see all national training programmes and provision funded by a single body (SFC) with staff and funding moving across from SDS to support this change. SFC would most likely need to change systems to collect data from, and pay, apprenticeship providers. This could include transferring the data systems currently in place at SDS although this would need investigated further with technical working groups at the outline business case stage. This option would also require legislation to broaden the range of providers that the SFC is able to fund to deliver fundable further and higher education. While subordinate legislation could be used to make some additions to the bodies the SFC can fund, in order to deliver a system that would be workable in practical terms, it is considered that some changes to primary legislation, around the functions of the SFC, would be required. In this option research funding remains with the SFC and there is no change to student support with this being funded by SAAS and SFC.

Option 3b – Movement of NTP funding and staff from SFC and SDS to SAAS.

*This option can also be used as an interim step for other options

Option 3b: Movement of all NTP funding and staff to SAAS

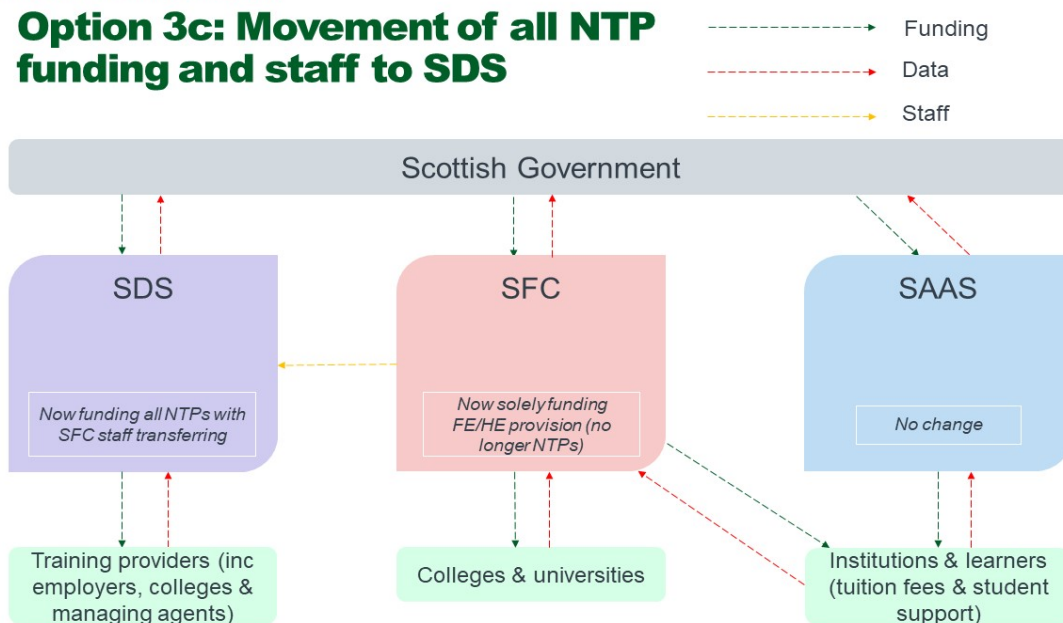


This option would see all national training programmes funded by SAAS in addition to their existing student support offer. To facilitate this, staff and funding would need to move from both SDS and SFC. SAAS would also need to adapt existing systems to facilitate the change or transfer systems from the other bodies. Again, this would need investigated further with technical groups at the outline business case stage. SFC would continue to fund FE/HE provision and research. Funding of provision would continue to be split between SAAS and SFC in this option and there would be no change to student support funding which would remain split between SAAS and SFC.

Option 3c – Movement of NTP funding and staff from SFC to SDS.

*This option can also be used as an interim step for other options

Option 3c: Movement of all NTP funding and staff to SDS

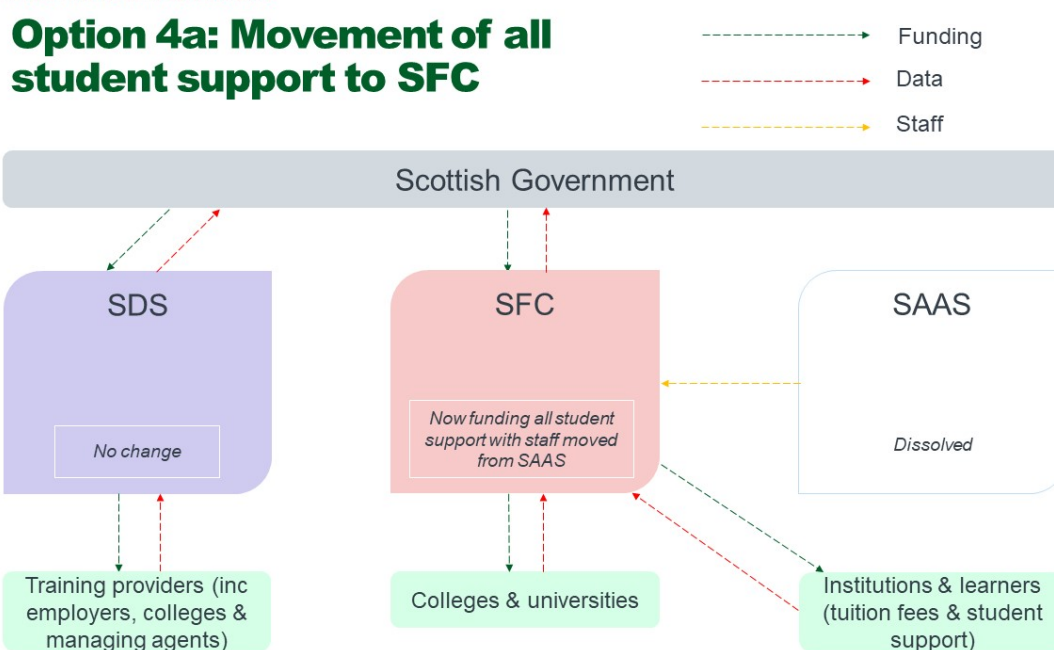


This option is similar to Option 2 but would additionally involve any functional groupings of staff within the SFC being transferred to SDS to work on national training programmes, including modern, graduate and foundation apprenticeships. The identification of NTP funds within SFC would be challenging as, in recent years, FA and GA provision delivered through SFC has been drawn down in credits as part of core funding. The detail of how to identify and transfer any funds in this option would have to be worked through by technical working groups if it were taken forward to outline business case. It is unlikely that any system changes would be required to facilitate this option as SDS either currently or has previously delivered all of these programmes.

Option 3c would slightly simplify the system by having one body responsible for funding all national training programmes. However, funding of provision would continue to be split between SDS and SFC in this option. Research would remain with SFC and student support would continue to be split between SAAS and SFC.

Option 4a – All student support funding delivered through SFC. No changes to NTP funding or wider provision arrangements

*This option can also be used as an interim step for other options

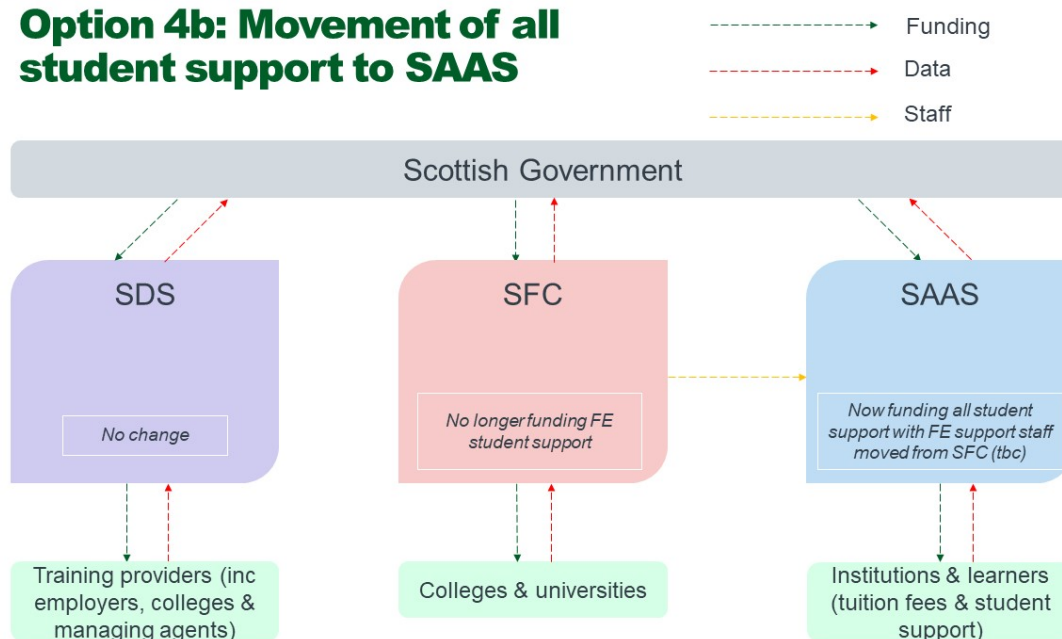


This option would simplify the system by seeing all student support for HE and FE being funded by one body (SFC). To facilitate this change, staff and funding from SAAS would need to transfer to SFC likely resulting in the dissolution of SAAS. It is likely that new systems will be required at SFC to perform these new functions or systems transferred from SAAS. This detail would need to be worked through by technical working groups at outline business case stage. Funding of provision would continue to be split between SDS and SFC in this option. Research would remain with SFC.

Option 4b – All student support funding delivered through SAAS. No changes to NTP funding or wider provision arrangements.

*This option can also be used as an interim step for other options

Option 4b: Movement of all student support to SAAS



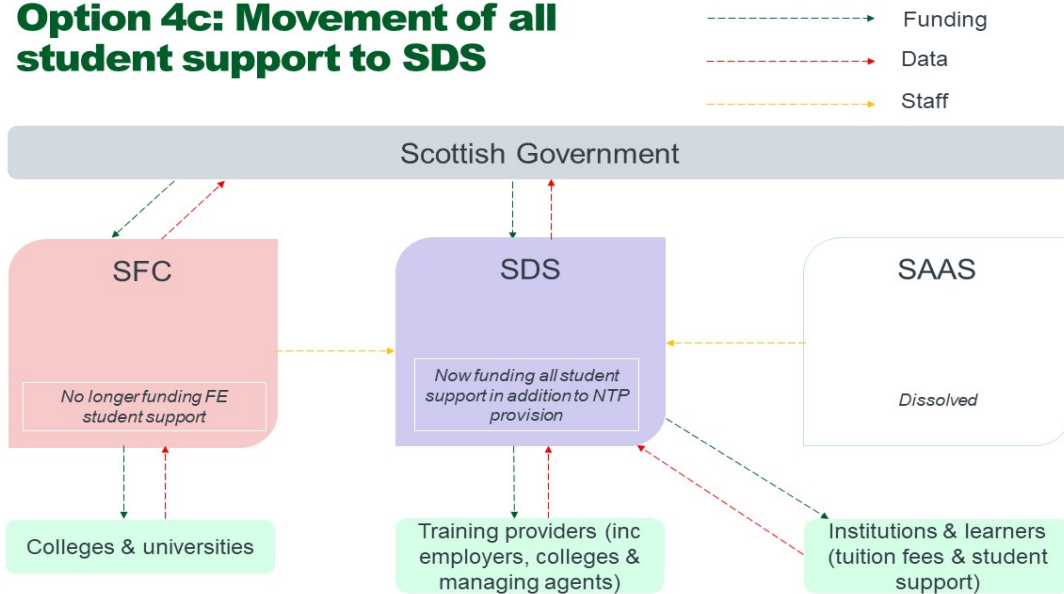
This option would also allow all student support for FE and HE to be administered by one body (SAAS). This would require funding being transferred from SFC and operational responsibility for determining how FE student support funding is administered would pass to SAAS. It is unclear at this stage whether the staff currently administering FE student support in SFC would move alongside the funding.

This would have to be explored with technical groups if this option is shortlisted for further development at outline business case stage. Funding of provision would continue to be split between SDS and SFC in this option. Research would remain with SFC.

Option 4c – All student support funding delivered through SDS. No changes to NTP funding or wider provision arrangements.

*This option can also be used as an interim step for other options

Option 4c: Movement of all student support to SDS

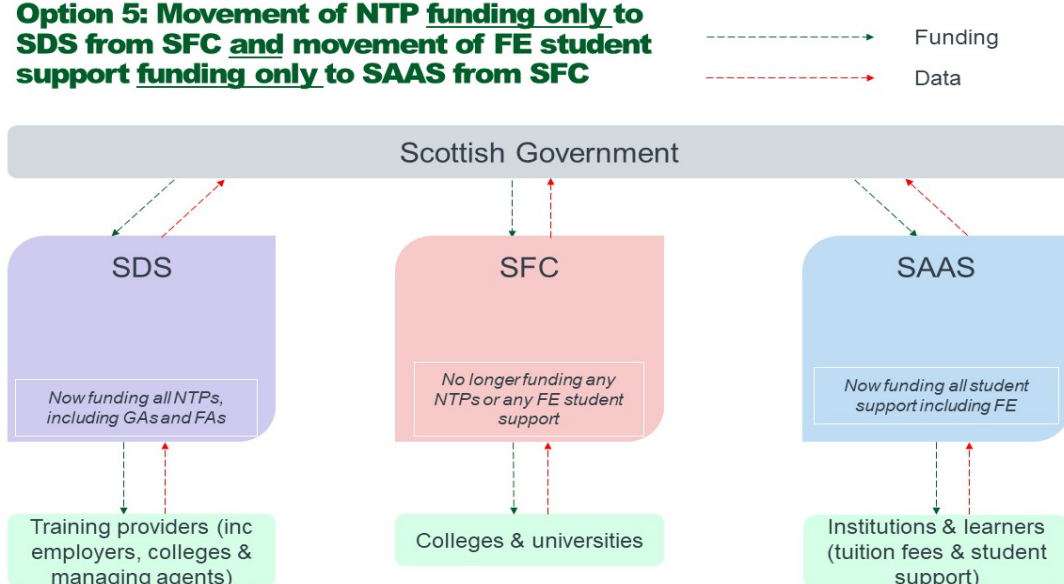


This option would also allow all student support for FE and HE to be administered by one body (SDS). This would require funding and staff being transferred from SAAS and SFC to SDS to facilitate this change. Due to the current lack of SDS involvement in the student support system, a significant amount of detail related to systems and processes would need to be worked through with technical groups at outline business case if this option were to progress. Funding of provision would continue to be split between SDS and SFC in this option. Research would remain with SFC.

Option 5 – Movement of NTP funding only from SFC to SDS and movement of FE student support funding (staff moves to be reviewed at technical group stage) from SFC to SAAS

*This option can also be used as an interim step for other options

Option 5: Movement of NTP funding only to SDS from SFC and movement of FE student support funding only to SAAS from SFC



This option combines two moves of solely funding, one for national training programmes from SFC to SDS (Option 2) and one for FE student support moving from SFC to SAAS (Option 4b). These moves were considered the only options where the movement of solely funding may be feasible without the movement of staff and systems.

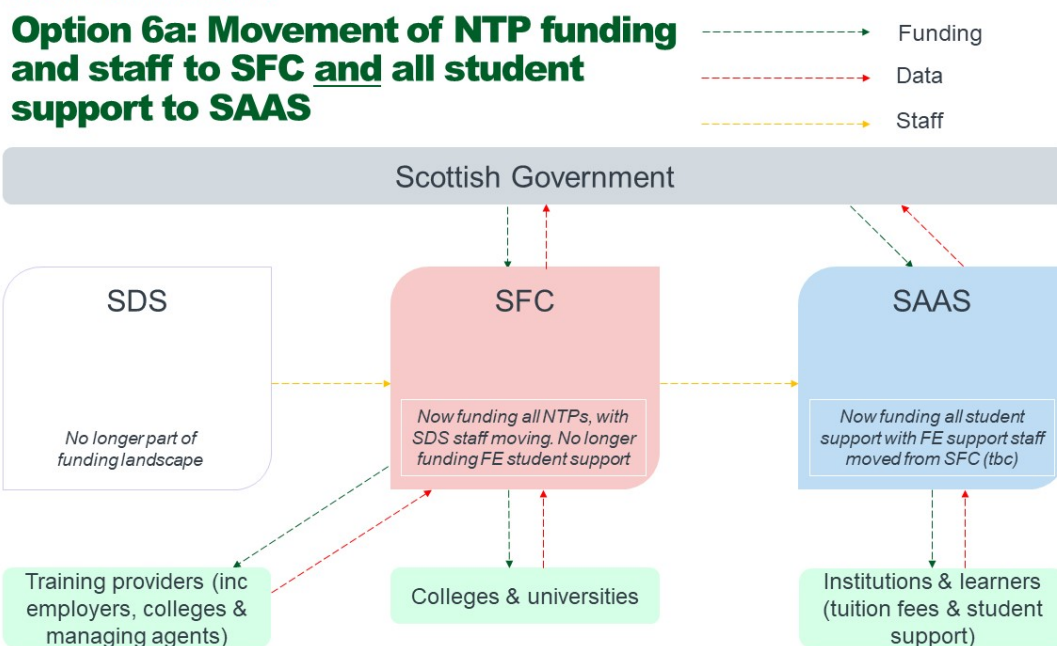
However, the feasibility of this option would need to be considered further by technical groups at outline business case stage as SDS and SAAS may not be able to administer additional funding within their existing resource.

This option would slightly simplify the landscape by reducing areas where more than one body carries out the function, however would still see provision split between two bodies (SFC and SDS).

In addition, the identification of NTP funds within SFC would be challenging as, in recent years, FA and GA provision delivered through SFC has been drawn down in credits as part of core funding. The detail of how to identify and transfer any funds in this option would have to be worked through in detail by technical working groups if it were taken forward to outline business case. Research would remain with SFC.

Option 6a – Movement of NTP funding and staff from SDS to SFC and all student support funding delivered through SAAS.

*This option can also be used as an interim step for other options



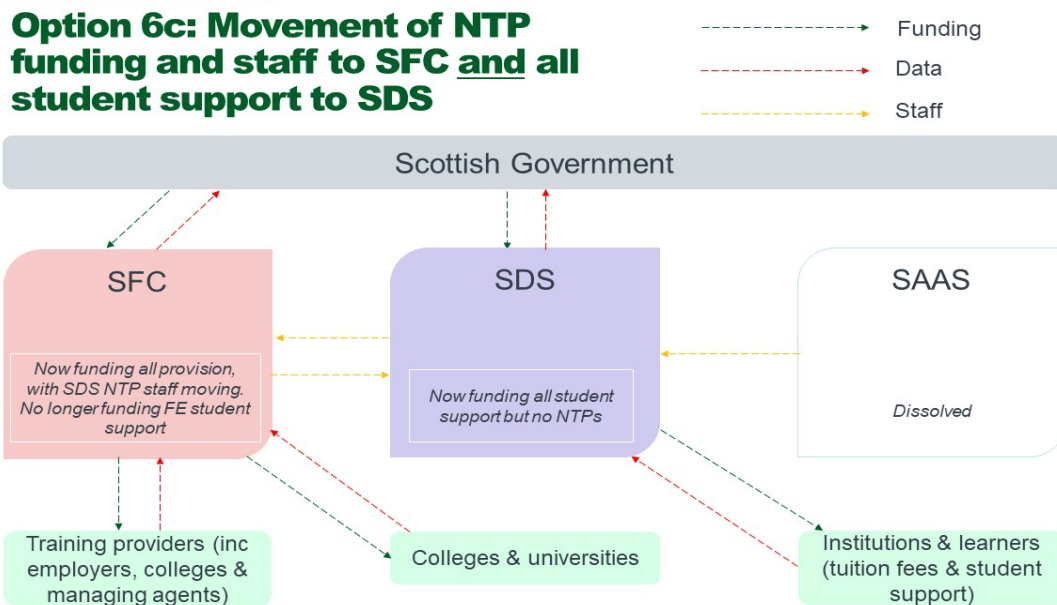
This option would allow for all provision to be funded by one body (SFC) and all student support to be funded by one body (SAAS).

For provision, national training programme staff and funding would be transferred from SDS to SFC to enable SFC to have full operational responsibility for all types of provision.

For student support, SFC would transfer responsibility for administering FE student support funding to SAAS.

Option 6c – Movement of NTP funding and staff from SDS to SFC and all student support funding delivered through SDS.

*This option can also be used as an interim step for other options



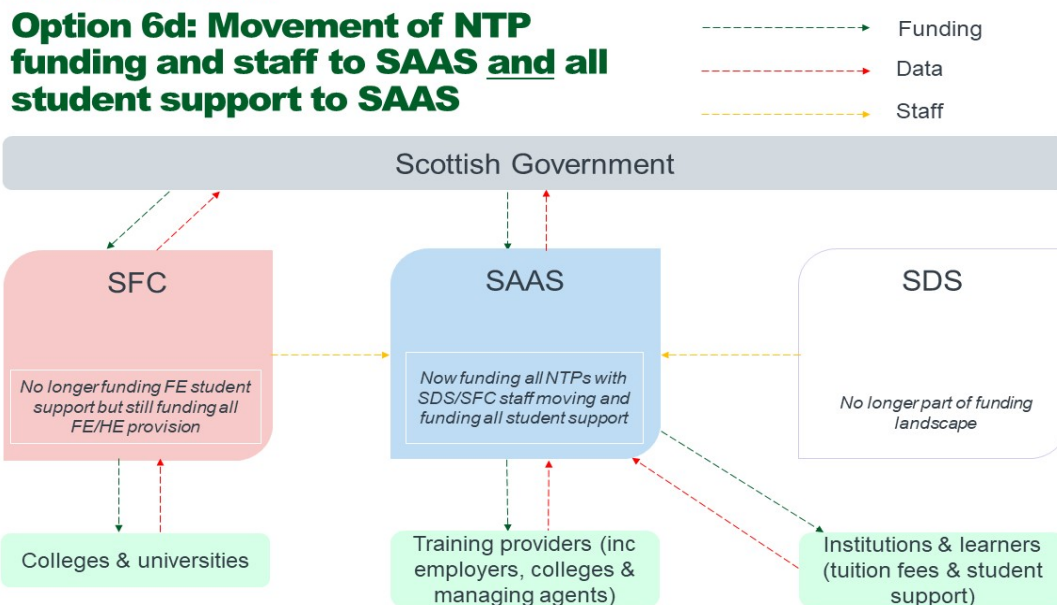
This option would also result in one body responsible for funding all provision (SFC) and one body responsible for funding all student support (SDS).

This scenario would result in SDS losing responsibility for funding national training programmes with staff and systems transferring to SFC, but gaining responsibility for all student support with staff, systems and funding transferring from both SAAS and SFC.

This scenario involves significant changes to existing responsibilities and therefore a number of details related to staffing and systems would need to be worked through with technical groups at outline business case stage. Research would remain with SFC.

Option 6d – Movement of NTP funding and staff from SDS and SFC to SAAS and all student support funding delivered through SAAS

*This option can also be used as an interim step for other options



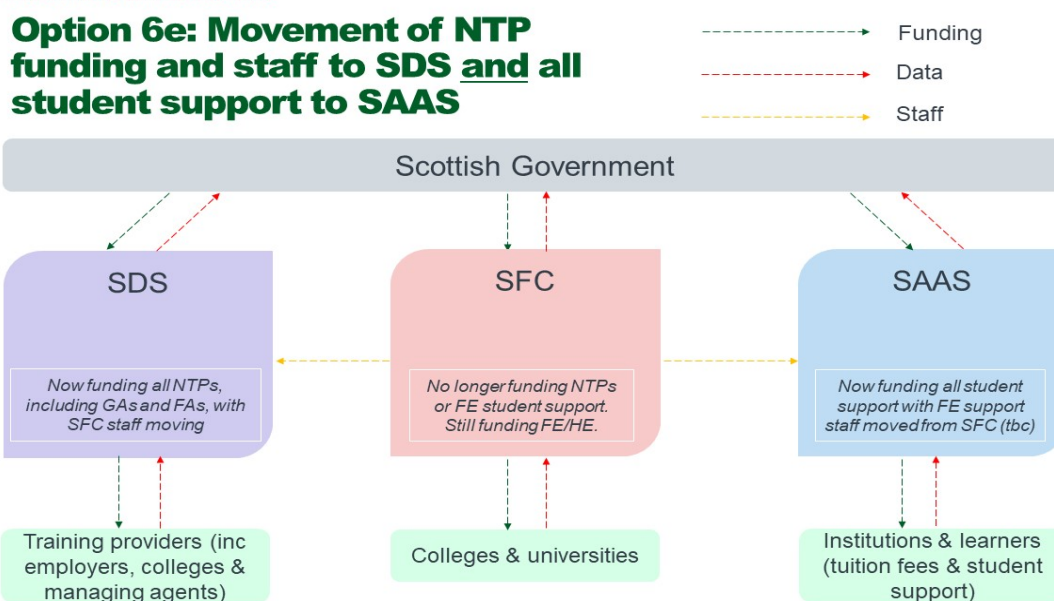
This option would see all student support funded by a single body (SAAS) with FE student support moving across from SFC.

SAAS would also gain responsibility for national training programmes with SFC and SDS staff, systems and funding transferring.

SFC would retain responsibility for funding HE and FE provision. SDS would no longer be part of the funding landscape in this scenario. The funding of provision would still be split between two bodies in this option. Details of staffing and system changes would need to be worked through with technical groups at outline business case. Research would remain with SFC.

Option 6e – Movement of NTP funding and staff from SFC to SDS and all student support funding delivered through SAAS

*This option can also be used as an interim step for other options



This option would involve clarifying roles within the landscape, with SDS assuming full operational responsibility over national training programmes with SFC NTP funding and any identifiable groupings of staff transferring across.

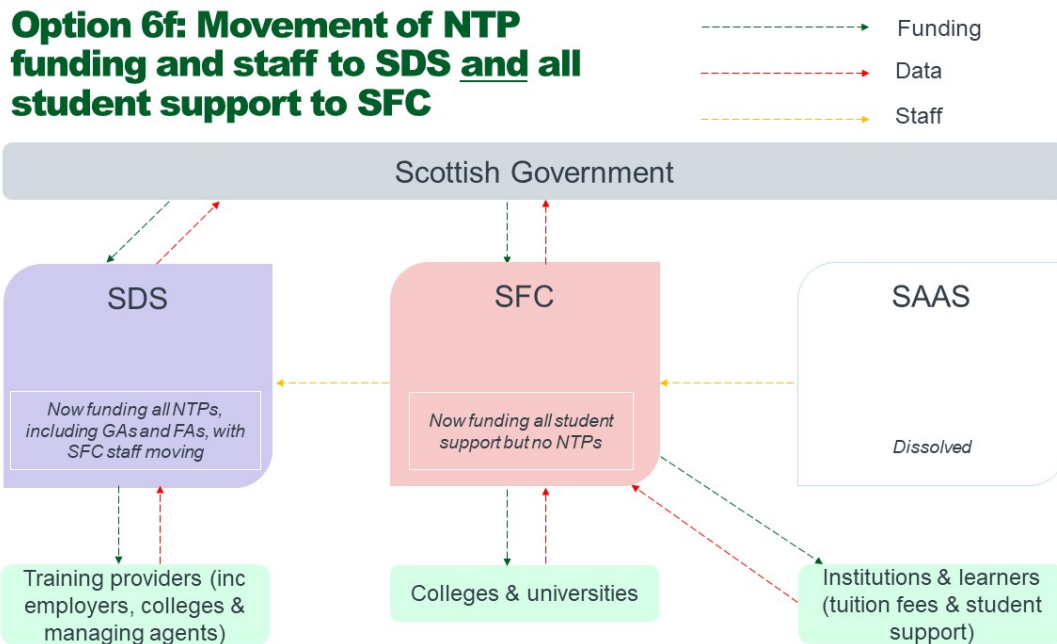
The identification of NTP funds within SFC would be challenging as, in recent years, FA and GA provision delivered through SFC has been drawn down in credits as part of core funding.

Student support would be consolidated within SAAS with SFC FE student support function transferring across.

In this option, provision would continue to be split across two bodies (SFC and SDS). Details of staffing and system changes would need to be worked through with technical groups at outline business case. Research would remain with SFC.

Option 6f - Movement of NTP funding and staff from SFC to SDS and all student support funding delivered through SFC.

*This option can also be used as an interim step for other options



This option would see SFC responsible for all student support, with SAAS funding, systems and staff transferring across to facilitate this change.

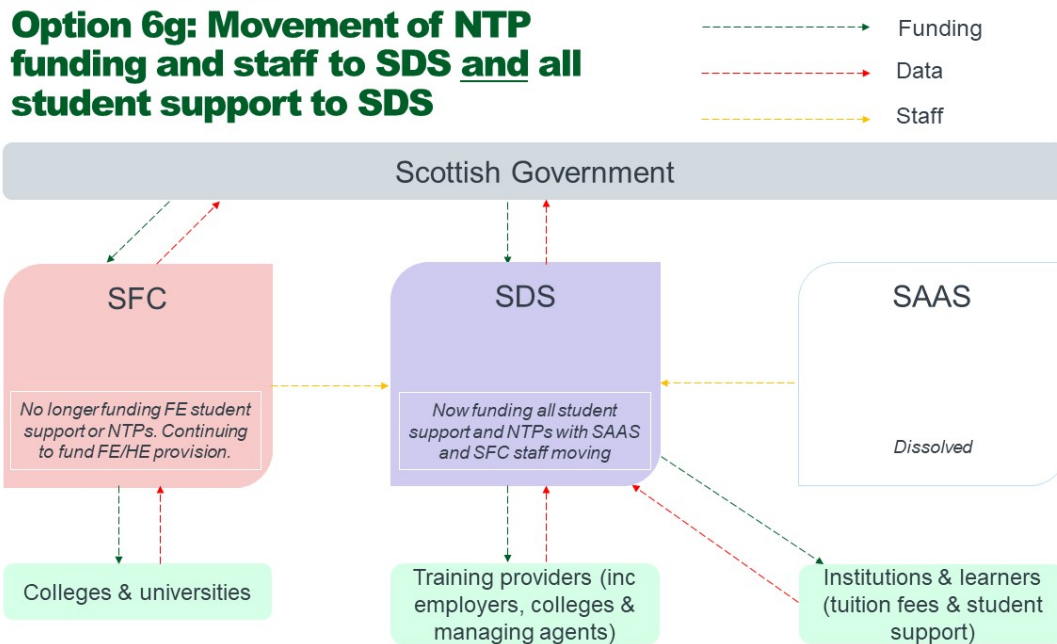
SDS would gain operational responsibility for all national training programmes with SFC staff and funding transferring across. The identification of NTP funds within SFC would be challenging as, in recent years, FA and GA provision delivered through SFC has been drawn down in credits as part of core funding.

SAAS would be dissolved in this scenario.

Provision would still be split across two bodies in this scenario. Details of staffing and system changes would need to be worked through with technical groups at outline business case. Research would remain with SFC.

Option 6g – Movement of NTP funding and staff from SFC to SDS and all student support funding delivered through SDS

*This option can also be used as an interim step for other options



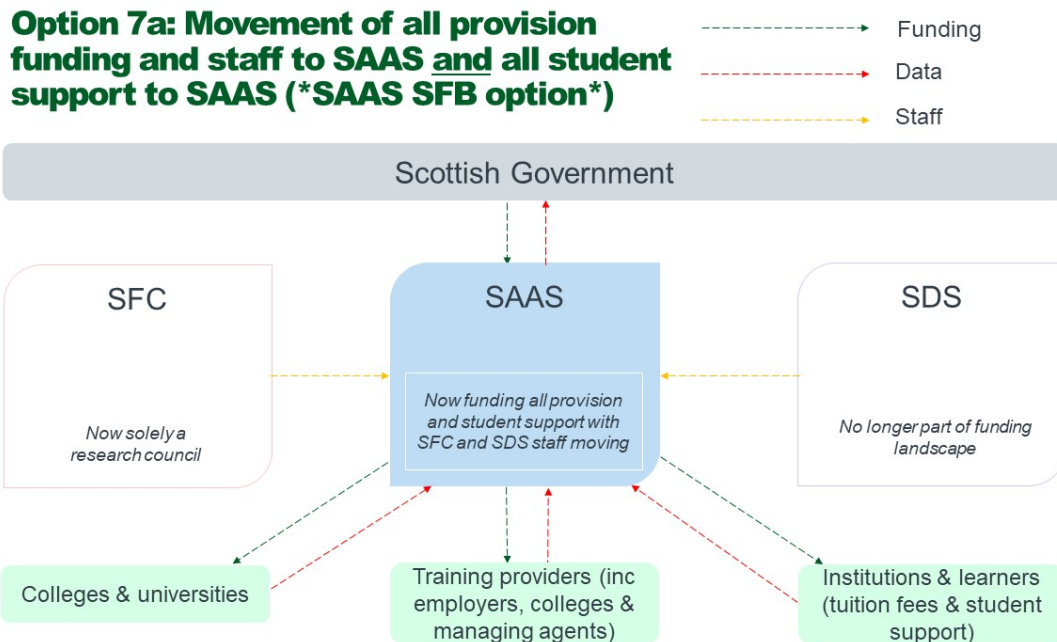
This option would also see SDS gain operational responsibility for all national training programmes but additionally, SDS would gain responsibility for all student support, with staff, systems and funding moving from SAAS and SFC.

SAAS would be dissolved in this scenario.

Again, provision would still be split between SFC and SDS in this scenario. The identification of NTP funds within SFC would be challenging as, in recent years, FA and GA provision delivered through SFC has been drawn down in credits as part of core funding.

Details of staffing and system changes would need to be worked through with technical groups at outline business case. Research would remain with SFC.

Option 7a – Movement of all provision and staff to SAAS and all student support funding delivered through SAAS - i.e. a single funding body built on SAAS systems and structures.



This option would see all provision and student support funded by a single body (SAAS).

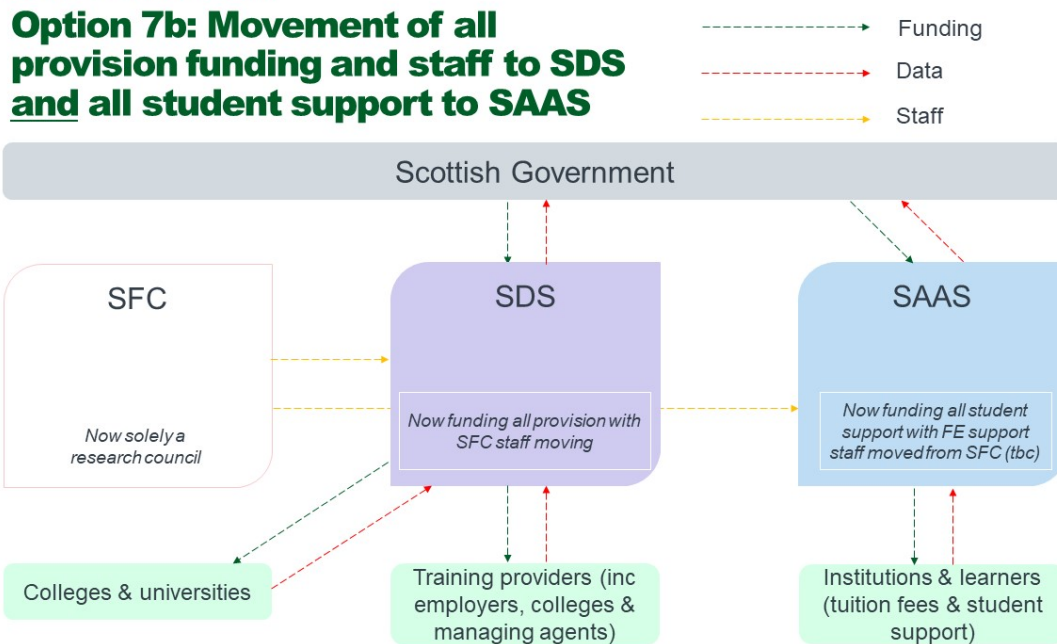
Staff and funding for all FE/HE provision, national training programmes and FE student support in SFC would be transferred to SAAS. Staff and funding for national training programmes within SDS would transfer to SAAS.

SDS would no longer be part of the funding landscape in this scenario and SFC would likely be left as solely a research council.

This scenario involves significant changes to existing responsibilities and therefore a number of details related to legislation, staffing and systems would need to be worked through with technical groups at outline business case stage.

Option 7b – Movement of all provision and staff from SFC to SDS and all student support funding delivered through SAAS.

*This option can also be used as an interim step for other options



This option would see all provision being consolidated in one body (SDS) and all student support consolidated in another body (SAAS).

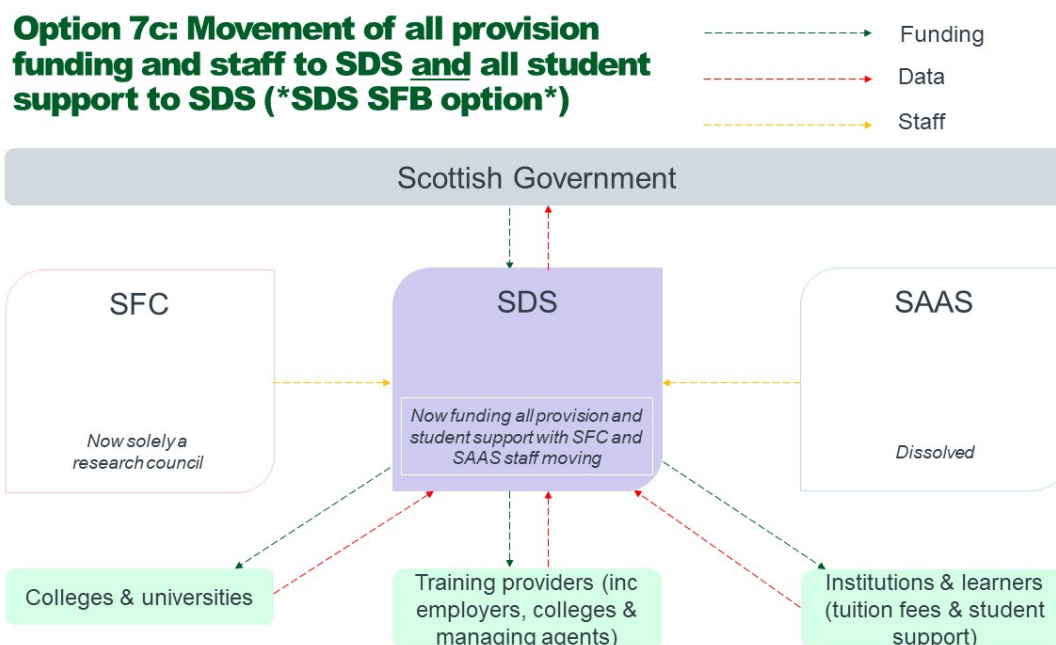
Funding and staff related to FE/HE provision and national training programmes in SFC would transfer across to SDS to facilitate this change.

Funding and any functional grouping of staff related to FE student support would transfer across to SAAS.

This scenario would leave SFC operating as solely a research council.

Details of staffing and system changes as well as legislation would need to be worked through with technical groups at outline business case.

Option 7c – Movement of all provision and staff from SFC to SDS and all student support funding delivered through SDS - e.g. a single funding body built on SDS systems and structures.



This option would see all provision and student support funded by a single body (SDS).

Staff, systems and funding for all FE/HE provision, national training programmes and FE student support in SFC would be transferred to SDS.

Staff, systems and funding for all existing student support within SAAS would also transfer to SDS.

SAAS would be dissolved in this scenario and SFC would likely be left as solely a research council.

This scenario involves significant changes to existing responsibilities and therefore a number of details related to staffing, systems and legislation would need to be worked through with technical groups at outline business case stage.

Options assessment criterion

The purpose of long-list appraisal is to narrow down possible options to identify an optimum short-list of viable options for detailed appraisal in the next stage of the business case, the Outline Business Case, that meet the requirement of delivering the spending objectives, and satisfy the critical success factors (CSFs) as seen in table below.

As per the HMT Green Book Guidance, options in the long-list are to be discounted if they fail to deliver the spending objectives and CSFs for the project; appear unlikely to deliver sufficient benefits, considering the intention is to deliver Value for Money;

are clearly unpractical/unfeasible; or an option is clearly inferior to another, because it has greater costs and lower benefits; if they violate constraints, such as are clearly unaffordable or too risky; or if options are sufficiently similar to allow a single representative option to be selected for detailed analysis.

SG policy officials and analysts collectively assessed all long-list options against the criteria set out in a workshop. Each option was rated as “red”, “amber”, or “green”, expressing the delivery structure not satisfying, partially satisfying, or fully satisfying the appropriate appraisal criteria. During the assessment further consideration of constraints, dependencies, unmonetised and unquantifiable factors, and possible collateral effects as well as unintended consequences was taken based on currently available evidence.

Legal Considerations

In development and consideration of the long list of options, legal considerations, primarily focussed on legislative requirements to facilitate delivery of the options, were explored with SGLD colleagues. These considerations were scored as part of the Critical Success Factor 5 - Potential achievability. Other factors contributing to CSF 5 include resourcing constraints.

A further consideration was the risk of ONS reclassification that could result if changes to the post-school funding body landscape are deemed to enhance the degree of control that Ministers have on universities.

While any option could technically be achieved through changes to primary legislation, not all are advisable. Therefore, it was agreed that any option that had been deemed inadvisable based on initial legal advice⁴⁶ was rated red; options that would require changes to primary legislation in order to be achievable but were advised to be feasible following initial legal advice, were rated amber; and options that would not require any changes to primary legislation and were practicable to pursue were rated green.

⁴⁶ The reasons given for options being deemed inadvisable were where the option required repealing and transferring responsibility of functions already conferred on one body in statute to another body with no statutory underpinning or existing experience of exercising those functions. Such options, while possible, were deemed higher risk as they reduce certainty of rights and obligations in law and increase lack of transparency and accountability, the legal mechanisms would become more complex and less accessible and therefore inadvisable.

Critical Success Factors		
Ref	Critical Success Factor	Description
1	Strategic fit and meeting business needs	<p>How well the option meets the agreed spending objectives, related business needs and service requirements, how well the option provides holistic fit and synergy with other strategies.</p> <p>In the context of this SOC, this means</p> <ul style="list-style-type: none"> • the option must support the achievement of strategic priorities and spending objectives as outlined in the SOC, such as the P&P, the Public Service Reform, NSET; • the option provides holistic fit and synergy with other SG strategies and programmes; • the option must comply with SG policy, for example on the establishment of new public bodies; • transparency, fairness and accessibility of provision is incorporated through the core of the programme; • structures, governance, operating frameworks, guidance and standards delivered through the option deliver efficient, impactful services <p>the option results in a more agile and responsive system that is accountable, trusted to deliver and subject to effective governance.</p>
2	Potential Value for Money	<p>How well the option optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks.</p> <p>In the context of this SOC, this means how well the option</p> <ul style="list-style-type: none"> • recognises the value and basis of the system used for the distribution of investment in learners; • contributes to a competitive and inclusive economy, and the wellbeing economy; • makes the best use of public funds, so removes unnecessary duplication and overlap in the structure of the bodies to ensure that resources and capacity are aligned to priorities, whilst optimising social value in terms of potential costs, benefits, efficiencies and risks therefore taking care that adverse impacts are minimised. • how well the option promotes best value across the delivery of funding by improving quality, efficiency and effectiveness.

Critical Success Factors		
Ref	Critical Success Factor	Description
3	Supplier capacity and capability, operational fit	How well the option matches the ability of potential suppliers to deliver the required services and appeals to the supply side.
		In the context of this SOC, this means how well the option <ul style="list-style-type: none"> • provides necessary staff and systems/IT skills and capabilities to deliver the funding body functions and activities; • provides holistic operational fit and synergy with operations, processes and components of the funding landscape.
4	Potential affordability	How well the option can be financed from available funds, balance of investment against the improved outcomes aligns with sourcing constraints.
		In the context of this SOC, this means <ul style="list-style-type: none"> • whether the option is affordable noting budget pressures.
5	Potential achievability	How well the option is likely to be delivered given an organisation's ability to respond to the changes required, how well the option matches the level of available skills required for successful delivery?
		In the context of this SOC, this means <ul style="list-style-type: none"> • it must be possible to deliver the option from a legal perspective – is there going to be a need for legislative change, if so what is the scale of change required and is it reasoned; • consideration of timescales set by Ministers; • the extent to which there is appropriate resourcing, and relevant project management with the capacity and capability to deliver the transformation.

Long-list Options Assessment

The outcome of the long-list assessment workshops is presented in Table 8 above. Reasons for rejecting, selecting, or carrying forward options are summarised below.

As set out in section 3.3.1, the long-list options are categorised into four groups:

1. Options that solely move funding and/or delivery of provision,
2. Options that solely move funding and/or delivery of student support,
3. Options that move funding and/or delivery of both provision and student support, and
4. Options that create an entirely new single funding body.

Options that solely move funding and/or delivery of provision

None of the options solely suggesting the move of funding and/or delivery of provision fully meet the spending objectives or the strategic ambitions of the programme.

Options 2 and 3c proposed either the move of funding or funding, systems and staff (i.e. delivery) of all NTP funding to SDS.

Option 2 is unlikely to bring any meaningful change to system, as it relates only to money being administered through a different route, with no changes to delivery.

Option 3c would see some simplification of the funding landscape for apprenticeships and other National Training Programme funding and delivery (due to both funding and staff moves), including potential improvements in data alignment. However, the value for money case is unclear for these options and they also fail to address wider complexities of the funding landscape for provision. Furthermore, both Options 2 and 3c propose giving more responsibility to an organisation without legislative underpinning. This raises concerns about transparency, accountability to government, and ensuring good value for public money. While a legal basis could in theory be created, it would be time-consuming and expensive.

The movement of NTP funding and staff to SAAS in Option 3b similarly fails to address the fragmentation of funding landscape for provision, leaving Further and Higher Education (FE and HE) funding with SFC and bringing NTP funding into a body that has no prior structures or experience in place for managing training provision funding.

Finally, of all the options in this category, Option 3a best meets all of the objectives and strategic ambitions for the project from the perspective of provision. With the move of NTP funding to SFC, this option would bring together funding, development and delivery of all provision (colleges, universities and training provision), enabling improved availability and quality of data and therefore a better understanding of how the funding is currently distributed, allowing for more informed, transparent and equitable distribution of funding for provision to be developed. This option is likely to lead to efficiencies and would be expected to bring value for money. Additionally, while it requires primary legislation to give the SFC these new responsibilities, this

would be more straightforward than setting up a new statutory body, given that SFC has existing statutory functions that can be built on. However, this option fails to address the fragmentation of the funding landscape for student support – a core requirement identified in the scope of this project.

Options that solely move funding and/or delivery of student support

Each of the options considered in this category would bring student support under one body, in theory satisfying the spending objectives for the project from the perspective of student support, with having both FE and HE student support together allowing for improved quality of data and enabling more targeted and equitable distribution of funds to learners across the sector. However, the options differ particularly in respect to value for money as well as legal considerations.

Options 4a and 4c propose the move of Higher Education funding away from SAAS to either SFC or SDS, neither of which currently have the structures or experience in distributing funding to learners at this scale. This means that putting these structures in place and moving the associated staff from SAAS is likely to be very costly for these two scenarios, making the value for money case uncertain. Furthermore, similarly to Options 2 and 3c, the movement of student support funding to SDS in Option 4c would be inadvisable due to SDS not having statutory underpinning (for reasons described in options above). For Option 4a, movement of student support funding to SFC would require changes to primary legislation to expand its functions.

Option 4b, on the other hand, proposes the move of FE student support funding functions to SAAS, who have the ability to incorporate this into their existing systems more easily. In addition to the benefits highlighted above on bringing student support under one organisation, this option would require at most very minimal staff moves, therefore making the move cost-effective and would not require changes to primary legislation and therefore would be achievable. However, while Option 4b would likely bring value for money it still fails to address the issues around fragmentation of funding for provision, as do all of the options in this category.

Options that move funding and/or delivery of both provision and student support

Options in this category are different combinations of the options in the two previous categories.

For example, Option 5 is a combination of Options 2 and 4b, and therefore, despite delivering on the ambitions for student support (see Option 4b), it still fundamentally fails to deliver any meaningful simplification to the operational responsibility across provision funding landscape.

Similarly, Options 6e, 6f and 6g all duplicate Option 3c failing to deliver strategic ambitions on the funding body landscape for provision. The difference between these options is how student support is delivered (through either SAAS, SFC or SDS), with Option 6e, looking at transfer of FE support from SFC to SAAS the only one expected to deliver value for money and strategic ambitions for student support (see Option 4b).

Option 6d, on the other hand, combines Options 3b and 4b, again failing to address the fragmentation of funding for provision.

Two Options (6a and 6c) in this category suggest the movement of all provision under one body and all student support under another, which, in theory would satisfy the simplification of the funding body landscape across the sector, improve data collection and quality, bring efficiencies and enable more equitable and transparent distribution of funding for learners. However, not all combinations of these options are optimal or advisable in practice.

For example, Option 6c which would bring all funding for provision under SFC and all student support funding under SDS is not considered viable as, while it addresses the fragmentation in both provision and student support space, the movement of student support to SDS is not advisable since SDS has no statutory underpinning (for the reasons described in earlier sections), with this movement of funding also unlikely to bring value for money.

Option 6a, on the other hand, is assessed to fulfil criteria for the totality of the core scope of this project, deliver long-term efficiencies and value for money. In this option the post-school funding landscape is simplified by bringing all provision to SFC and all student support to SAAS, meeting the objectives and majority of the critical success factors of this project.

Options 6b, 7a and 7c all propose a single funding body built on SFC, SAAS and SDS systems and structures respectively. All of these options in theory meet the criteria for simplifying operational responsibility, however significant risks lie in moving functions to a body without previous experience of administering funds across the whole of the institutional landscape.

Building a single funding body on SAAS structures and systems has possible implications for the independent status of HE institutions as it would bring their funding into the more direct control of Ministers. Building a single funding body on SDS structures requires revoking the existing statutory framework underpinning of SFC in the delivery of FE and HE provision to move it to SDS – an organisation that does not currently have a statutory foundation. A single body to be built from SFC would also require further work to develop an understanding of underpinning costs but the legislative underpinning and NDPB status makes this a preferable body on which to build a single funding body from. The value for money case is not certain for these options, as it is unclear whether bringing student support and provision under one body is necessary, rather than having two bodies, one for student support and one for provision. This would require further investigation.

Options that create an entirely new Single Funding Body

Option 8 proposes an entirely new single funding body. Whilst it would meet the objectives of this project by delivering all functions through one body, it would likely be more complex and costly to deliver than similar Options 6b, 7a and 7c, as it would require winding down existing bodies. And notably this option would also go against the Scottish Government's guidance on the establishment of new public bodies which states that new public bodies should only be established as a last resort. All

other available options have to be considered first, in particular where there are existing public bodies in the landscape with broadly similar functions.

Arrival at a short-list

After the dissemination and evaluation of the findings from the long-list assessment workshops, a separate workshop was held to agree on the short-list to be taken forward to the Outline Business Case stage.

As per the HMT Green Book Guidance, all shortlisted options must be viable and meet the requirement of delivering the objectives. The shortlist must include Business as Usual, a realistic and achievable 'do minimum' that meets essential requirements, the preferred way forward if different to 'do minimum', and any other options that have been carried forward.

The short-list options carried forward for detailed appraisal are presented in the table below.

Short-list of options carried forward to OBC for detailed appraisal

Business as usual	1. Business as usual
Preferred way forward; Do minimum	6a. Movement of NTP funding and staff to SFC and all student support funding delivered through SAAS.
More ambitious	6b. Movement of NTP funding and staff to SFC and all student support funding delivered through SFC.

Based on the discussion in Section 3.3.3, options besides BAU which sufficiently satisfy the assessment criteria are 6a, assessed as the preferred way forward and 6b, assessed as the more ambitious way forward.

Although several of the options, including 3a, 4b, 6c, 6d, 6e, 7a, 7b, 7c and 8, at least partially meet the objectives and strategic ambitions for the project, they either do not fulfil the totality of the core scope of the project, leaving the landscape fragmented and/or are unadvisable from legal and value for money perspectives. The short-listed options, however, are sufficiently similar to these options by either combining some of these options or offering a similar solution, but with stronger value for money and/or legal arguments and a more holistic approach to addressing the core scope requirements.

Annex C – Table of Acronyms

BAU	Business As Usual
CLD	Community Learning & Development
CSF	Critical Success Factor
CTER	Commission for Tertiary Education & Research
EU	European Union
FA	Foundation Apprenticeship
FE	Further Education
FTE	Full Time Employee
FY	Financial Year
GA	Graduate Apprenticeship
HE	Higher Education
HMIE	His Majesty's Inspectorate of Education
HMT	His Majesty's Treasury
HR	Human Resources
IT	Information Technology
ITA	Individual Training Account
MA	Modern Apprenticeship
MTFS	(Scottish Government's) Medium Term Financial Strategy
NDPB	Non-Departmental Public Body
NSET	(Scottish Government's) National Strategy for Economic Transformation
NTP	National Training Programme
OBC	Outline Business Case
OFCOM	Office of Communications
P&P	(Scottish Government's) Purpose & Principles (for Post-school Education, Research & Skills)
PSR	Public Service Reform
RSR	(Scottish Government's) Resource Spending Review
SAAS	Student Awards Agency Scotland
SDS	Skills Development Scotland
SFB	Single Funding Body
SFC	Scottish Funding Council
SG	Scottish Government
SGLD	Scottish Government Legal Directorate
SOC	Strategic Outline Case
SQA	Scottish Qualifications Authority
UK	United Kingdom



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