



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION AND CULTURE COMMITTEE

Tuesday 2 October 2012

Session 4

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CONTENTS

	Col.
INTERESTS	1497
DRAFT BUDGET SCRUTINY 2013-14	1498
SUBORDINATE LEGISLATION	1541
Elmwood College, Oatridge College and The Barony College (Transfer and Closure) (Scotland) Order 2012 (SSI 2012/237)	1541

EDUCATION AND CULTURE COMMITTEE

25th Meeting 2012, Session 4

CONVENER

*Stewart Maxwell (West Scotland) (SNP)

DEPUTY CONVENER

Neil Findlay (Lothian) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)
*Clare Adamson (Central Scotland) (SNP)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Neil Bibby (West Scotland) (Lab)
*Joan McAlpine (South Scotland) (SNP)
*Liam McArthur (Orkney Islands) (LD)
*Liz Smith (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

James Alexander (Scottish Council for Development and Industry)
Mark Batho (Scottish Further and Higher Education Funding Council)
Amy Dalrymple (Scottish Chambers of Commerce)
Mary Goodman (Federation of Small Businesses)
Mark Griffin (Central Scotland) (Lab) (Committee Substitute)
Katie Hutton (Skills Development Scotland)
Liz McIntyre (Scotland's Colleges)
Alastair Sim (Universities Scotland)

CLERK TO THE COMMITTEE

Terry Shevlin

LOCATION

Committee Room 4

Scottish Parliament

Education and Culture Committee

Tuesday 2 October 2012

[The Convener *opened the meeting at 10:06*]

Interests

The Convener (Stewart Maxwell): Good morning. I welcome members to the 25th meeting in 2012 of the Education and Culture Committee. I remind members and those in the public gallery to ensure that all electronic devices, particularly mobile phones, are switched off at all times.

I welcome to the committee a new member, Colin Beattie. Apologies have been received from our deputy convener, Neil Findlay, and I welcome Mark Griffin as his substitute.

Under the first agenda item, I invite Colin Beattie to declare any registrable interests that are relevant to the committee's remit.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I refer members to my entry in the register of interests and specifically, in view of the committee's remit, to my role as trustee director of the National Mining Museum of Scotland.

The Convener: Thank you.

As this is the first time that Mark Griffin has appeared at the committee as a committee substitute, does he wish to declare any registrable interests that are relevant to the committee's remit?

Mark Griffin (Central Scotland) (Lab): Thank you, convener. I have no interests to declare.

The Convener: Thank you both very much.

Draft Budget Scrutiny 2013-14

10:07

The Convener: Agenda item 2 is an evidence session on the Scottish Government's draft budget for 2013-14. The committee has agreed that the following broad objectives will shape our scrutiny of this year's draft budget: to determine how last year's final allocations helped the Scottish Government to deliver its policy objectives; to identify the progress that remains to be made and how the allocations in this year's draft budget will help to achieve that; and to assess how spending on further and higher education is contributing to the Scottish Government's overarching purpose of increasing sustainable economic growth. The committee took evidence last Tuesday and we will have two evidence sessions today before we take evidence from both cabinet secretaries on 23 October.

Our first panel will provide the private sector's views on the draft budget. I welcome to the committee James Alexander, the senior policy and communications manager for the Scottish Council for Development and Industry; Amy Dalrymple, policy and research manager for the Scottish Chambers of Commerce; and, of course, Mary Goodman, senior policy adviser for the Federation of Small Businesses. I will go straight to questions, if you do not mind, as there is a lot on the agenda.

Neil Bibby (West Scotland) (Lab): Good morning, panel. Last week we heard concerns from Unison, the Educational Institute of Scotland, the University and College Union and the National Union of Students about cuts to college funding. People have given us various figures for what they believe the cut to college funding to be. What do you understand the cut to be? We also heard concerns last week that cuts to colleges will potentially harm economic recovery. Do you agree with that statement?

James Alexander (Scottish Council for Development and Industry): I am happy to go first. Thank you for the invitation to come before the committee.

I will not try to give a number, but what is evident is that there has been a cut to college budgets. They have now had more money put in, but that does not make up for the cut in college budgets over the past couple of years.

Our priority as an organisation is to ensure that colleges, which are vital for delivering the skills that are needed to power the economy through organisations across the country, particularly small businesses—I am sure that Mary Goodman will have more to say about that—are able to continue to deliver the skills that businesses require,

because skills are a key part of taking Scotland from where we are economically into the upturn. If we are not providing the right skills—the skills that employers need—at the right place and at the right time, that will be challenging economically. I know that colleges are doing a lot of work within the budget settlement that they have, but we must ensure that they have the resources to deliver the skills that the economy needs.

Amy Dalrymple (Scottish Chambers of Commerce): I agree with James Alexander and with your witness Jeremy Peat last week, and if even the great economist Jeremy Peat cannot give you a figure, I am not even going to attempt it—I am really sorry.

The way the budget is shifting, there is more funding for student places. We are perhaps looking at cuts to the teaching budget, but there is a lot of other money out there through the youth employment budget. The map is complex and the SCC has called for a review of all that to make it a little bit more accessible and to simplify the environment somewhat, because the system is opaque in terms of not just funding, but how the different parts of the whole post-16 education system in Scotland work together. It is important to note how complex it is.

In response to your specific question about what impact cuts to college funding might have, particularly on the economy, many of our local chambers are very involved with their local colleges. Chamber board members are on the boards of colleges and most of the colleges are members of their local chamber of commerce—there is a good relationship between the two.

The big concern is to ensure that we maintain local provision and the quality of the provision across many of our colleges at the moment. We need to ensure that colleges are still able to deliver a responsive and business-friendly range of courses that respond to what businesses need and have the quality that they need as well. That is what needs to be looked at. If the budget that the Scottish Government has given the colleges can produce that, that is fine, but we need to be realistic about the fact that maintaining such provision in the face of a budget cut will have implications for how colleges need to run themselves. The priority needs to be the quality of provision, the extent of provision—the courses that colleges provide—and maintaining local provision.

Mary Goodman (Federation of Small Businesses): We will not comment on the actual sums of money, but it is important that we look at how well that money is spent. I echo what Amy Dalrymple and James Alexander have said—we are operating in a time of constraint and we have to recognise that and be realistic. The more efficient and the more rationalised that we can be

in the delivery of our public services, the better—in theory—but colleges have the potential to meet the needs of local businesses far better than they currently do. There is a lot of good practice out there, but it could be far more widespread.

We welcome the injection of the additional £17 million that was announced in the budget, although we would like to see how exactly that will be spent and some demonstration of how effective that spending will be.

We are looking with interest at the mergers of various colleges and the federalisation into regions. There are opportunities there for efficiencies and a reduction in the confusion of the various different offerings that are delivered by colleges in the same area. However, we are also slightly concerned about the geographical barriers that might occur as rationalisation kicks in. We will be looking at how that plays out.

10:15

Neil Bibby: We have received evidence from Scotland's Colleges that there has been a drop of 80,000 in the number of students studying in colleges since 2008-09. The SCDI's submission says:

"Scotland must match and beat its competitors".

I assume that it is talking about the need to have a skilled and educated workforce. Will the college cuts make that more difficult, given the reduction in the number of students studying?

The submission also says that

"there should be no limit to the recruitment of students in STEM subjects"

because of the need to maintain student numbers. Are you therefore concerned when you see newspaper reports about waiting lists and 10,000 people looking for a college course? Do the courses for which those people are waiting include science, technology, engineering and mathematics—the STEM subjects?

James Alexander: On student numbers, there is a debate to be had about whether we want there to be fewer students on full-time courses or more students on part-time courses. I can see both sides of that debate, as can our members. To take a bigger-picture perspective, we want colleges to work with businesses to deliver the skills that are needed in the economy—that is the bottom line of what we want to be achieved. Whether that involves having more full-time provision or more part-time provision, we need to ensure that people are able to get the skills.

I do not know whether there are lots of people on waiting lists—you can ask the colleges later—but if there are, the questions for the committee to

consider are whether they are getting the skills required to enable them to play a full and productive role in the economy and whether the people in colleges require a broader range of skills to enable them to play a greater part.

The STEM subjects touch on huge parts of Scotland's economy. We have a massive oil and gas industry and we are trying to develop a world-leading renewables industry. Science and technology—life sciences, for example—exist across huge parts of our economy. We cannot underestimate the importance of STEM skills. We are quite excited about the energy skills academy that was announced in the budget. We want to see more details on that and we want it to work with SCDI's network of young engineers and science clubs, which involves 10,000 kids in schools across Scotland.

We know that the Government understands that the STEM subjects are hugely important, and we want to ensure that colleges are doing all that they can to deliver STEM skills in the economy.

It is also important for colleges to spend more time engaging further with businesses, particularly local businesses. That might be more likely as a result of regionalisation, as a big regional college might be more able to engage with a broader range of businesses to ensure that the courses that it offers and the skills that it delivers meet the needs of employers in its area so that people going through the college system can get the skills that employers can immediately put to use. Of course, those are not just the technical and business skills that are used in a particular occupation but the broader business skills. Those are sometimes called soft skills, but I do not think that that is the right phrase, because they are not side skills or easy skills to learn; they are actually important skills that are difficult to learn, such as customer service, sales, team working and leadership and entrepreneurship, particularly within an organisation. How can we ensure that all of those skills are being delivered? You talked about global competitiveness, and if we can get the delivery of business skills, the skills that employers need and all the skills that are needed in the economy, we will become a world leader and be more competitive.

The Convener: If anyone has anything to add, they may do so, but only if it is different. You do not have to repeat what has already been said.

Amy Dalrymple: There is perhaps a budgeting and policy tension for the Government between the short-term challenges that we face in terms of youth employment, with the funding that has been put behind the opportunities for all policy to ensure that young people have opportunities if they are unable to get work, and the broader, strategic

needs of our further and higher education system and our economy, and how they interact.

I will not go any further on that, but it is important to bear in mind that tension when we—and you as MSPs—are scrutinising the budget. Some of the policies come from the long-term strategic aims, and some come from the urgent need to tackle the current crisis. Balancing those two things is tricky.

Mary Goodman: We have to think—within the limits of reality—about the context of college funding and how colleges deliver their provision. For many years, we have talked about lifelong learning in the context of further and higher education. Lifelong learning may involve an individual realising that they need to learn a skill for a specific purpose, particularly at college level, and accessing that learning at a time that is good for them. Similarly, we need to consider the needs and contexts of the businesses that are investing in the skills of their staff and recruiting from the body of students that have come through the system.

Co-investment has come up quite a lot in the consultation on post-16 reforms and elsewhere. We should not ignore that, but we cannot expect to sell something to someone based on the way things have always been; it must be based on what individuals and businesses need at the time. That is why we have put forward the idea of provision being as flexible as possible to allow people to dip in and out.

I know that that raises issues of stability with regard to the ability of colleges to fund themselves and maintain their provision in the long term, but we need to explore the idea of flexibility as much as we can.

Liam McArthur (Orkney Islands) (LD): On the point about STEM subjects, James Alexander's written evidence states:

“there should be no limit to the recruitment of students in STEM subjects.”

I appreciate that there is an issue in relation to universities as well as colleges, but are colleges failing in their responsibility to meet private sector demand, or is that demand not there or not clear enough? Are the private sector's messages to colleges somehow not getting through? I am struggling to understand where the mismatch is occurring.

James Alexander: Some of the mismatch comes in the demand from potential students to study STEM subjects. I mentioned our young engineers clubs—and there are other such clubs operating—which try to enthuse young people who have potential to think about career opportunities in science and engineering.

However, in a whole range of areas, we are not getting the numbers of people taking STEM subjects that we would like, although I am not sure that any particular area is to blame for that. We need to consider how we move forward from our current position, which is an awareness that we do not have enough skills in STEM and that we must try to fix that.

That will require colleges and universities to work closely with schools and young people who are interested in STEM and with businesses to ensure that there is a flow of people going through. However, people in those industries—which are some of the fastest-moving industries, given the new technologies that are coming on stream—must ensure that they take opportunities to work with the education sector to upskill their current workforce and ensure that people have the necessary skills on the ground.

Joan McAlpine (South Scotland) (SNP): Neil Bibby quoted a fall in student numbers of 80,000. The written evidence from Scotland's Colleges states:

"full-time equivalent (FTE) numbers remained constant at ... 126,000".

Given the generally supportive comments that have been made about education reform, is it more important that the 126,000 full-time equivalent numbers that have been retained are serving the needs of business? Is it not really a numbers game and about the loss of more part-time students? Is what colleges are delivering more important?

James Alexander: That is where colleges' links with local businesses are vital. Colleges have engaged with local businesses for years, and we should provide colleges with the autonomy to engage with businesses so that they can say that the best thing to deliver is to put their SUMs or student numbers into whatever provision, whether it be part time or full time. The challenge is for colleges to maintain the quality of provision while delivering the same SUMs or full-time equivalents within a reduced budget settlement.

Amy Dalrymple: We also come from a perspective of wanting the education system to deliver for Scotland's businesses and, therefore, Scotland's economy. The Scottish Government's massive programme of post-16 reform kicked off with the pre-legislative consultation document "Putting Learners at the Centre – Delivering our Ambitions for Post-16 Education", which was about developing a learner-centred education system. The discussions that we have had over the past year or so and will continue to have are about how we balance the different needs of stakeholders. However, the Scottish Government was clear that it wanted a learner-centred system.

Obviously, I and my colleagues here will say that we need colleges to run courses that are responsive to business need and put students through the right courses. The issue is less about student numbers and more about what colleges offer and ensuring that other problems are not created. For example, if some school leavers want to move into modern apprenticeships or straight into work and that is appropriate for them and will give them the opportunity to pursue a career that includes progression, gives them job satisfaction and contributes to the economy, we are not going to fight that.

We need to keep an eye on whether that is appropriate, but it ain't just about ensuring that everybody goes to college; it is about ensuring that businesses get the employees that they need and that students get the education that they need. If that is done through college, we want the funding to be there to enable them to do the right courses there. However, we must dig right into the figures, because it is not just about the headline figures. I hope that that is helpful.

Mary Goodman: From our perspective, the pattern of more full-time students and less part-time could be slightly worrying. For vocational training, we would like to see more of a pattern of part-time students being in work or people doing part-time work and a part-time college course. However, we need to dig a bit deeper into the figures, as Amy Dalrymple said, because they could include part-time leisure courses and all sorts of different part-time provision, and accessing such provision has fallen away over the last little while. So, I would probably want to look a little closer at the patterns and see what is happening and how the student market is reacting to the economic situation.

On full-time provision, businesses will of course recruit people who have done a full-time course if they have the necessary skills to do the job. However, businesses frequently feel that full-time students should perhaps have been a bit better prepared for the world of work. Much of the feedback from our members is that a bit of work-based training is great because the employer can give the young person a grounding in what the world of work is about and they can go away and learn the theory at college. For business, the difficulty with that is that, with the bottom line being so tough at present, the need for staff to spend time away at college can be a real barrier to employers' investing in college training. However, I do not know what lies beneath the top-line figures that you mentioned.

10:30

Joan McAlpine: So, from the Federation of Small Businesses' point of view, you would

support the opportunities for all initiative and the focus on employability skills for young people.

Mary Goodman: Absolutely.

Joan McAlpine: In your written evidence, you state:

“only 10% of our members have been contacted by a college in the last 12 months, with 43% finding this interaction useful”.

Do you believe that college reform will improve that situation? It seems to me that 10 per cent is not good enough and that there ought to be far more interaction between colleges and small businesses.

Mary Goodman: Yes—we would agree with that. We hope that college reform will deliver that step change. We believe that there is vast potential for colleges to contribute to economic recovery and resilience. There is a lot of untapped potential, and there is also a lot of good practice out there that could be replicated in other areas.

Liz Smith (Mid Scotland and Fife) (Con): Will you clarify the figures that you quoted? Are the 43 per cent that found the interaction useful part of the 10 per cent?

Mary Goodman: Yes.

Liz Smith: So it is 43 per cent of the 10 per cent.

Mary Goodman: Yes.

Liz Smith: That is really quite a low number.

I have a question on an issue that Mr Alexander and Ms Dalrymple mentioned. It is on what I will refer to as soft skills for the time being, given that that is the term used in the briefing that we have. You are right to say that they are difficult, but can you be more specific about what needs to be done to improve the employability of our youngsters by developing the relevant soft skills?

Amy Dalrymple: We have been working on several parallel projects in this area. In one of them, we are working with Skills Development Scotland and the Scottish Qualifications Authority to develop a certificate of work readiness that will demonstrate to employers that people have such skills. That work is in its early stages, but I urge you to keep an eye on it if you are interested.

I have been talking to schools, universities and colleges about the issue. They use various names for such skills; the universities talk about graduate attributes, for example. The important thing is for the student to be able to articulate that they have the skills. During their work, many students develop skills such as project management, presentation skills, teamworking skills and communication skills, but they are not being taught or told that they have those skills.

I was talking to a very senior civil servant—I had better not say who it was—who has experience in the teaching profession and who mentioned that our schoolchildren are often good at identifying that they are working in a team, but when they come to the latter stages of secondary school, something suddenly happens. They are concentrating hard on their exams, teaching becomes exam focused—it is about how much French or algebra they know—and the importance of the broader life skills, soft skills or employability skills is downgraded. We need to maintain a focus on those skills.

The onus should be on a job applicant to be able to say that they can work in a team and communicate. An employer cannot be expected to learn about the plethora of different systems that schools, colleges and universities have for recognising the skills. We are not asking a lot of educational institutions—we are not asking them to invest money or a lot of resource; it is just a mindset change that is required. Educational institutions should realise that part of their responsibility is to support their students to get a job once they have finished their course. That means that students need to know that when they are working on a team presentation, they are developing skills in project management, team working and communication. The leaders of educational institutions can support their students by helping them to identify that they have those skills.

The other thing that is required is something that enables students to fill in gaps. I did a liberal arts degree and got a 2:2, and there were plenty of gaps in my skills that I could have done something about—perhaps in my summer jobs while I was at university—if I had realised that they existed.

Things have moved on a lot in the many years since I was at university, but we still need a change in mindset. I know that that can be achieved, because I have seen it done in several institutions across the educational system.

Liz Smith: Thank you for a comprehensive and interesting answer. I will pursue the point a little further.

The Confederation of British Industry and many other business organisations would—while agreeing with much of what you have said—say that there is a more important point. Some businesses have commented that standards of basic literacy—not just reading skills, which is the way that we normally define literacy—are not good enough among young school leavers, so they do not have sufficient confidence to develop some of the other skills that you just mentioned.

Do you accept that the CBI and other business groups are correct on that? Do we need to do

more at school level to provide the core skills that are the basic building blocks for what you are suggesting?

Amy Dalrymple: As a business group ourselves, we have members who feed in that sort of thing to us. Yes—some job applicants have problems with literacy and numeracy, but I did not raise that issue because I thought that everyone would agree that those are core standards that need to be achieved.

If we build up a learning hierarchy—such as Maslow's hierarchy—we are not considering teamwork and co-operation, for example, as skills that can be built on. Literacy and numeracy should stand alongside teamwork, co-operation and project management skills, and the confidence to operate in a business and work environment. One set of skills supports the other set of more mechanical skills in reading, writing and numeracy; it is not about one set coming first.

Liz Smith: Quite a high proportion of the business community believes that the core skill element is not sufficiently broad and of sufficient quality to allow some of the young people who are coming into the business world to function as well as they might do, and some of your colleagues in the business community are having to spend quite a bit of money to help those young people to address some of those core skills. Is that view a correct reflection?

Amy Dalrymple: That is not a consistent view, but it is a view that we hear from several of our members.

Liz Smith: I have one final point. We are being told that a number of graduates are picking up jobs that require intermediate level skills, which leads to additional pressure on FE graduates and people in the business community. Is that a fair reflection?

James Alexander: I would say that is. That poses particular challenges in the sense that everything moves down. There is a group of mostly young people—we have all seen the youth unemployment numbers—who struggled to get employment even in the economic good times, and they are the ones who are really struggling now. They need to be prioritised through the provision of skills and through support to get them into the labour market.

Amy Dalrymple: We are working with the Scottish Government to prioritise a graduate recruitment incentive programme to tackle the displacement issue, as it potentially has long-term implications for the employability of a whole generation. Given that we are looking to the long term and trying to tackle a short-term crisis—as I mentioned before—it is important that we tackle the underemployment issue. I can give the

committee details of the graduate recruitment incentive programme, which is being piloted with four of our chambers of commerce.

Liam McArthur: With regard to what James Alexander has just said about graduate employment and unemployment, his written evidence states:

“While graduate unemployment is a significant problem, young people with lower levels of skills are far more likely to be unemployed.”

That seems to contradict the figures that Universities Scotland released last week. James Alexander and Amy Dalrymple are implying that underemployment rather than unemployment is the issue, so we need to be careful about the language that we use. Is that a fair assessment?

James Alexander: That is probably fair. We have a huge amount of skills in the country. In the past half hour, we have talked about developing the skills that employers need, but now we are talking about a group of people who have the skills that employers need but who are not being put in a position in which those skills are being used. Employers, educational institutions and young people themselves all have a responsibility to maximise skills wherever possible. That is quite hard to do, particularly given where we are economically, but we have got to be able to do that.

George Adam (Paisley) (SNP): Some of this has already been discussed but, with colleges taking on a bigger role in training for employment through opportunities for all, the national training programme and the modern apprenticeship scheme, what is the role for the private sector?

James Alexander: The private training sector or—

George Adam: No, the private sector in general.

James Alexander: The private sector has a role to play in working with colleges to co-develop the educational provision that will be relevant to the needs of business. For example, that might mean a business working with a college to deliver an after-work training programme in its own establishment for its own employees. That is the sort of flexible provision that we want to happen across Scotland.

Mary Goodman: Although there is a huge amount of willingness among our members, which are predominantly small businesses, to be involved with colleges in terms of provision and to feed into training programmes and so on, it is extremely difficult for them to do that. Of necessity, training programmes are led by pedagogical theory and so on, which most businesspeople have no idea about. They are thinking about the

tasks that their employees have to do or their future employees will have to do, and that is what they want their employees to do. They are not necessarily experts at saying how to go about delivering that training; that is for the people who are experts in doing that to do.

There has to be a bit of an interpretative relationship between the development and running of courses and employer demand. There is a mismatch in that we keep misunderstanding each other. The experts are doing a fantastic job of developing courses, but they need to think about how those courses are delivered. In my submission, I talked about the need to deliver courses in a way that accommodates shift work and mirrors the world of work in other ways. Small businesses can provide input at a developmental stage by saying, "This is what we need our people to be able to do, and this is the world of work that you can expect your students to go into."

The Convener: I apologise for interrupting Mr Adam's line of questioning, but I believe that he asked what the private sector might contribute in terms of training, and you seem to be talking about what the colleges can contribute in terms of getting it right for businesses. That is a legitimate subject to talk about, but the accusation has been made more than once that some businesses are disengaged from that training and see training as somebody else's responsibility, and that they expect to benefit by receiving fully formed, fully trained individuals who have been trained at the expense of the public purse. You are not saying that, but you seem to be running close to that argument.

Mary Goodman: We have evidence to suggest that most of the training that was undertaken by those of our members who invested in training in the past year—around half of them—was delivered by private training providers. It was bought from private training providers because they could deliver exactly what the business needed in the format that the business needed and at the time that the business needed it.

George Adam: Does that not go back to the fact that your members in particular do not engage with colleges? It is easier for the chambers of commerce to engage at that level. Is the issue that your members were not aware of what they could have tapped into?

Mary Goodman: Yes, that might be the case. I suppose that, if it is not the job of colleges to reach out and get more private sector customers to provide a chunk of co-investment money for training, there is not a problem.

10:45

George Adam: You said that there were examples of good practice throughout the country and that there are places where business and colleges have worked together to come up with something that is relevant. For example, Reid Kerr College in Paisley, which just happens to be in my constituency, invested in a renewables business park, where it teaches small businesses and people such as electricians how to work with renewables technology. That added value to the students and enabled them to enter a new market. That is the kind of thing that I am talking about. There are good courses that people can get on to, but we are not managing to get the engagement.

Amy Dalrymple: It is difficult for an individual small business to engage directly, as it does not have the time, and it is also difficult for a college to engage with all the businesses in its area, as there are a lot of them. It takes a lot of resource to do that and if colleges are looking to put more of their resource into front-line teaching, there is a decision to be made there.

That is why organisations such as ours exist. You invited me, James Alexander and Mary Goodman to talk to you; you did not invite small businesses directly to ask them why they are not engaging with their local college, how their college can change in order to deliver training better and what you can do in the budget to make them engage with their local college more. You recognise the role of business representative organisations. Chambers of commerce are good at bringing members together with groups such as the further education sector and Government departments. It is a tough nut to crack, however.

Mary Goodman made valid points about the way in which the college sector can respond to businesses. The issue is not about funding and co-investment as much as it is about rethinking and changing attitudes around business involvement and engagement. Businesses need to recognise the impact that a lack of engagement will have on them in five or 10 years' time—they are not going to end up with the local workforce that they need and will have to spend more money recruiting from outwith their local area. Intermediary organisations such as ours have an important role to play in sending that message.

James Alexander: Can I quickly add something in response to your point, convener?

The Convener: As long as it is short.

James Alexander: Many of the SCDI's members are thoroughly committed to training and to developing their workforce. For example, the oil and gas sector set up OPITO—the oil and gas academy—for exactly that reason. Every time we have events or engagements that involve the

education sector, we have a high degree of interest and uptake in them.

Liam McArthur: One of the striking points in the FSB report is the fact that, as Mary Goodman said, around half of the FSB's members invested in training for their staff in 2010-11 and, of those, 45 per cent engaged a private training provider, which is about four times more than engaged a college. On that point, I echo what George Adam said. In Orkney, the college deals not necessarily with individual businesses, the chambers of commerce or the FSB but with the construction sector, the tourism sector, the food and drink sector and so on. Are we not asking colleges to spread themselves even more thinly if we are asking them to ape what individual private training providers can do on site with specific businesses? If we still want colleges to have some form of campus arrangement for students, we cannot have them trying to fill that space, because it does not play to their strengths and that need is perhaps already being met perfectly adequately by individual private training providers. Is that a fair assessment?

Amy Dalrymple: I agree that there is no point in the public sector—in this case, a college—trying to fill the space that is already being filled by a private sector provider. That is a line that we pursue in many contexts. Orkney and Renfrewshire are areas in which there is good liaison between colleges and local industries—so it can be done. It is not about colleges spreading themselves too thinly.

The college reform process presents an opportunity and a concern. Regionalisation provides the opportunity to have a key focus for business and industry liaison in a college; the concern is about the maintenance of local provision and local relationships. We do not want people in industry in Orkney to have to go to someone in Inverness; we want them to continue to have a connection in Orkney.

Colin Beattie: We talked about how best to develop entrepreneurial and employability skills for graduates. Are you satisfied by the level of business involvement in our colleges? Are there indications that the approach is producing the mix of graduates that businesses want there to be?

Amy Dalrymple: The picture is inconsistent. In some geographical areas and industry sectors, business involvement is extremely good. Some colleges have developed good partnerships with a range of companies. For example, in Fife there is good liaison with the renewable energy industry, which includes on-site and off-site training and discussions about what the curriculum needs to contain. In other areas, liaison is not so good. I hope that the move to outcome agreements for the

regional colleges will drive up standards of industry liaison throughout Scotland.

James Alexander: There has always been strong business engagement with college governance, and many business figures are on college boards. We want that to continue as we move to regional college boards.

Colin Beattie: I recently went to the opening of an innovation centre at Queen Margaret University. Do the witnesses have an opinion on the development and contribution of such centres?

Amy Dalrymple: We very much support the approach, which looks like good policy. The idea of knowledge transfer and using the activity that is going on in universities to support new businesses and innovation in existing business is positive. Scottish Chambers of Commerce would like the area to be looked at, to ensure that there is no duplication of funding and that we are not making the system more complex. We must do all the right things, but we must do them properly.

James Alexander: Scotland's research base is huge and tremendous innovations come out of our universities. We need to maximise the economic potential of the things that are invented and developed in our universities. In large part, Scottish inventions shaped the modern world. We must ensure that that continues into the future.

There is significant business engagement in university research, but innovation centres and knowledge transfer partnerships have the potential to transform such engagement. That is an important area.

Mary Goodman: Many businesses would probably benefit from innovation centres and the knowledge exchange that comes out of universities, but many businesses do not engage. There is an issue to do with the platform for engagement. The FSB has always said that the business gateway should be the key interface between the business sector in Scotland and the business support and development that the public sector can offer. We want what Queen Margaret University and other universities can offer their local businesses to be more integrated with the business gateway, as it could be delivered through that platform.

Clare Adamson (Central Scotland) (SNP): Amy Dalrymple mentioned outcome agreements. The Scottish Further and Higher Education Funding Council is moving towards outcome agreements with universities and has set challenges for universities in them. Is the change in emphasis in the research base towards high-quality research and towards research that will deliver economic value the right priority?

Are we getting the full benefit of the research that is happening? Are better links between small and medium-sized enterprises and universities needed to turn research developments into products and value to the economy?

Mary Goodman: A lot of our businesses would not find the world of research easy to interact with. However, there is a lot of potential for spin-out and enterprise from a university. We could maximise that and inject high-growth, interesting stuff that is coming out of our universities into a business idea that makes money and supports our economy. That is probably where I would go.

James Alexander: Historically, business engagement in research and development in Scotland has underperformed in comparison with the rest of the United Kingdom. We want that to improve. As I said a moment ago, the research innovation hubs and centres are crucial in making that happen and in making the research that comes out of our universities accessible to Scottish businesses.

The university sector is doing a huge amount of work. The new websites that have been launched are welcome. I am convinced that the inventions and innovations in our universities can shape the future of the world. We must be at the forefront of that.

Amy Dalrymple: Clare Adamson asked about targeted research. Universities are funded from several sources and they can fund their research from several sources. The Scottish Government's overriding priority is sustainable economic growth so, if it funds universities to do research, it is logical for that research to fulfil the Government's overarching priority.

As for benefiting from research, a lot of good things are going on, which others have mentioned. However, I will raise one concern. A stated aim was to create a single knowledge exchange office. That will be virtual, and discussions continue about its shape. My concern is that smaller businesses are not involved in that.

A lot of innovation goes on in our larger businesses, because they have the resource to do it, but they do not represent a lot of the Scottish business base. If we want the Scottish economy and Scottish businesses to benefit from the research that is going on in our universities, greater acceptance is required of the need to work with smaller businesses. That will enable them to take the opportunities that the excellent research outcomes of Scotland's universities offer.

Clare Adamson: The Scottish funding council is supporting a voucher scheme that can provide small businesses with up to £5,000 of funding if they commit staff time and a matching cash value.

Is that scheme a sustainable way forward for involving small businesses?

The Convener: I ask for brief answers, please.

Amy Dalrymple: We are keeping an eye on the scheme.

James Alexander: We are positive about the scheme; let us see how it progresses.

Mary Goodman: I say the same.

Joan McAlpine: The SCDI submission is clear that the university sector contributes 12.4 per cent of the UK's research, which means that we punch well above our weight. However, I was alarmed to read of your concerns about the damaging effect that the Westminster Government's tightening of the international student immigration system could have on Scotland's universities and the economy's research engine. Will you say a little bit more about that?

11:00

James Alexander: Thank you for raising that. We are happy with the funding settlement that universities have and I am sure that the universities are happy with it. Our biggest source of concern for universities in Scotland is the tightening of student visas. Incidentally, it affects colleges as well as universities, but the impact on universities could be very significant.

The international student market is worth millions of pounds to the Scottish economy not only in the fees that are paid to the universities but in the benefits that the students bring to the wider economy from living here. The social benefits to Scotland are huge. If there are people who have received a Scottish education in senior positions in companies or public organisations around the world, that can only make Scotland look better on the international stage. Also, having a diverse mix of students study together and interact on campus can only be good for Scotland's universities.

Therefore, from the SCDI's perspective, the tightening of student visas is a huge challenge to universities socially and financially and to Scotland economically. We would like the Scottish Government to do all it can to work with the UK Government to change the proposed visa restrictions or reduce their impact on international students who study in Scotland.

Joan McAlpine: Have you approached the UK Government yourself to raise your concerns?

James Alexander: Yes, we regularly engage with the UK Government and the Migration Advisory Committee, which is charged with providing advice to the Government. All our engagements with the Migration Advisory

Committee have reflected our strong concerns about student visas.

Joan McAlpine: Are you satisfied with the response that you have received from the UK Government?

James Alexander: Not at this stage.

Liam McArthur: We have touched on regionalisation and mergers of colleges. It has been recognised that there are opportunities to find efficiencies and to create a less confused landscape. However, reference was also made to potential geographic barriers and the need constantly to be responsive to the needs of local businesses in an area. What is the business community's experience of engagement in the regionalisation process? Have individual businesses, sector bodies or business organisations been involved in decisions about how regionalisation or mergers ought to work?

James Alexander said that having business figures on college boards was a strength. However, I presume that the wider a regional board is stretched, the less relevant the position of a single business figure is to the different parts of the regional economy, which can vary extensively.

James Alexander: Do not underestimate the perspective that a business leader can provide, even if they are from a business that is not relevant to some of the other businesses with which a college engages. The impact that such an individual can have in the governance and decision making of a regional college board is huge. We must value that input from businesses and, historically, colleges have done so.

In regional areas that reflect the college boundaries, there are some huge businesses that have a major economic impact on a local area. Regional college boards are in a position to engage with such businesses effectively. It is important to engage them as employers and also to get such business leaders on to college boards. They should definitely be part of the new regional college boards.

Liam McArthur: I accept what you say about the input that such people can have, but what about if they are from a business that has no real locus or a sector that is not particularly important to an area? The economy in Orkney is distinct from the regional economy in the travel-to-work area in and around Inverness. The credibility of someone from that Inverness area as a businessperson would be beyond question, but their connection to the local economy in Orkney, the Western Isles or Shetland may be less obvious to people who look to them to represent those business interests at a board level.

Mary Goodman: The FSB is far less concerned with the structures and governance procedures than with the coverage issue. The key thing for any board, regardless of who sits on it, is getting the right information. Local labour market information is important. If a board knows its market and knows the private sector in different places, it can, we would hope, communicate with that market, understand what it needs and then provide something along those lines. It is important that boards get the business or private sector perspective, but exactly who is on the board is less important, so long as it has the right information on which to make decisions. I accept that loud voices often get the most attention. The important thing about regionalisation is using the labour market information.

Liam McArthur: The committee has dealt with a number of statutory instruments that are, I suppose, the manifestation of the merger process. In your view, has there been enough involvement of business groups, individual businesses and sector bodies in the process of deciding which colleges come together, how they come together and what they will deliver?

Amy Dalrymple: My perspective is that that depends on the area. We could tell different stories about that for each of the regions. The Scottish Government has consulted and, to its credit, has continued to consult with organisations such as ours. However, at the regional level, the situation has been more variable. For example, in the Glasgow economic partnership there are extremely good relations between the colleges, the council, the chamber of commerce and other groups such as Glasgow 2014, as the games are meant to have a long-term impact. The process has worked well in that area, but in others it has perhaps not worked so well. In areas such as West Lothian and Dumfries, the relationships have hardly changed, because those are single-college areas and only ever had one college. The approach has varied. As ever, the particular geographical issues in the Highlands mean that a different approach may be needed there.

If I may, I will return to your question about having business leaders on boards. Engagement needs to take place at every level in a college and not just at board level. That solves the concern that I—and I think my colleagues—have about ensuring that colleges do not only liaise with one person who runs a very large business but respond to the whole business base in the geographical area. Every area in Scotland includes a significant proportion of smaller businesses. Colleges need to think about how they work with those businesses. We cannot just involve one or two people who happen to employ a lot of staff, important as those people are. We have to do the rest of the job, too.

The Convener: That brings us to the end of our questions. I thank the witnesses for coming and for giving us their expertise.

11:08

Meeting suspended.

11:12

On resuming—

The Convener: I welcome our second panel of witnesses, who will provide the view of funding and representative bodies on the budget. I welcome Mark Batho, chief executive of the Scottish funding council; Katie Hutton, head of national training programmes policy and integration with Skills Development Scotland; Danny Logue, director of operations with Skills Development Scotland; Liz McIntyre, principal of Borders College and representative of Scotland's Colleges; and Alastair Sim, director of Universities Scotland. We will kick off with questions from Neil Bibby.

Neil Bibby: We are here to scrutinise what the draft budget means for service delivery. What do you understand to be the cut in the budget for colleges next year? What will be the impact on the teaching grant and on courses, student numbers and jobs?

Mark Batho (Scottish Further and Higher Education Funding Council): I thank the committee for the invitation to appear.

The funding council looks at academic years rather than financial years, which of course confuses matters, but our starting point is always the baseline budgets. The draft budget contains an increase of £17 million on the previously published baseline for the 2013-14 financial year. When we do our academic year assessment, we also have to take account of the figure for the financial year 2014-15, which is lower.

What we have seen is—shall we say—a lessening of the slope going down for 2013-14, but I could not put a figure on the final outcome in comparison with the academic year 2012-13, because we await clarification from the Scottish Government on a number of areas of the budget. We get a guidance letter from the Government that allows us to proceed, and we expect that soon. From our perspective, as things stand, we have an increase, from what we expected from the baselines, of £17 million in the financial year 2013-14.

11:15

On the impact of that on teaching and on colleges generally, when the Cabinet Secretary for

Education and Lifelong Learning addressed Scotland's Colleges yesterday he said that he expected the funding that is available to be sufficient to allow colleges to deliver no decrease in the amount of teaching and to fulfil the Government's ambitions on employability and restructuring. We are awaiting further information, but nevertheless our assessment coincides with the cabinet secretary's—we believe that the budgets allow us to provide funding at a level that will allow the fulfilment of those ambitions.

The Convener: Liz?

Liz McIntyre (Scotland's Colleges): Sorry—I was just absorbing that information for a moment.

As Mark Batho said, it is difficult to give a figure for the impact on how much money is available. For the purposes of our written submission, Scotland's Colleges made some assumptions, although we accept that they might be incorrect. It appears to us that there is about £6.6 million less available in the budget for teaching. We believe that there is a possibility—perhaps Mark Batho can comment on this—that the funding council might claw back some of the money that was previously brought forward from future years. Therefore, we believe that, potentially, there will be about £10.6 million less available for teaching for 2013-14 than in the current year, but perhaps Mark Batho has other figures.

The Convener: I am sure that Neil Bibby would ask this, but I will ask it on his behalf. Given that Liz McIntyre has raised that point and that it was raised last week, I ask Mark Batho to clarify the issue. Last week, we heard about the possibility of clawback and that there is confusion on that.

Mark Batho: Sorry, but this gets into horrible complexities to do with the resolution of the financial and academic years.

We fund by academic year but get our funding on the basis of the financial year. When we got the funding for financial year 2012-13, we brought forward resource and applied an additional amount of funding in the academic year 2012-13 beyond what we would otherwise have done. In other words, we pushed the money to the colleges earlier than we would otherwise have done. The specific purpose for that was to begin the process of adjusting budgets according to regional need.

The money is not therefore clawed back—it is just that it has already gone to the colleges, rather than being available to go to them in the current academic year. The issue depends on which end of the telescope we use to look at it, but we would say that, actually, the resource from the financial year 2012-13 went to the colleges early. That is our presentation of the issue.

The Convener: Can I clarify something?

Mark Batho: I did warn you.

The Convener: Are you saying that the money was spent in the financial year for which it was awarded, but that it was brought forward in terms of the academic year? Is that a short summary of what you are saying?

Mark Batho: Yes.

The Convener: Therefore, the money was spent in the correct financial year. Perhaps “correct” is the wrong word, but you know what I mean.

Mark Batho: Yes.

Neil Bibby: Just to clarify that, what is the core teaching grant for 2012-13, for the academic year and financial year?

Mark Batho: I can talk about the overall allocation to colleges for 2012-13. As I say, we fund by academic year rather than by financial year.

The figure for the financial year is as set out in the budget statement. For 2013-14, a sum of £511.7 million will go to colleges overall. We have not allocated that to colleges yet, because we are waiting for further information from the Government, in the form of the guidance letter that we expect imminently.

We have not actually carried out an assessment of what the funding council will grant to colleges. That process will take place over the coming period and will lead to the agreement of outcome agreements at around the turn of the calendar year.

Attached to those outcome agreements at a regional level will be a budget for each college. That budget will be made up—I am sorry to introduce more complexity—of a proportion of the 2013-14 financial year budget and a proportion of what we currently understand to be the 2014-15 financial year budget. We have to make assumptions on that, and the only assumption that we can currently make is that that figure will remain as it is in the baseline, following the spending review.

Neil Bibby: What are you waiting for clarification on from the Scottish Government?

Mark Batho: We will get a range of things in the guidance regarding what the Scottish Government requires the resource to be spent on. Our budget is made up of a range of things: we have set aside some strategic funding for overall purposes and there is core funding that will go to colleges. There will also be a continuation of the scheme that is funded through SDS, which is something that the committee may want to discuss. We are awaiting details of the nature of that scheme. Those are all reasons why we are not in a position to finalise an

academic year budget, based on the figures published in the draft budget.

The Convener: It would be helpful to get some clarification on that point. I interrupted Liz McIntyre earlier—would you like to continue?

Liz McIntyre: Therein lies the rub—the issue for colleges as we try to plan provision for next year is that we do not yet have clarity on what the budgets might be.

We could spend a significant amount of time debating the resources, but the important thing, from the colleges’ perspective, is that there will be even less money than before and that the reduction comes on the heels of significant cuts in previous years. We were looking—perhaps overoptimistically—for a reversal of the trend, but that has not happened. The cut is still on top of cuts and it is likely to have a similar impact to the cuts of previous years.

Neil Bibby: Last week, we heard concerns about a “biscuit tin” approach to funding, the complexities of the financial year and academic year, and money being brought forward from different pots of money. Could the system of funding colleges and the services that they provide be made easier? What improvements could be made to the funding system, and how could it be made easier to scrutinise, so that we can see what the issues are?

Liz McIntyre: It could obviously be made simpler, and that is also the view of the Scottish Government, which is aiming to make it simpler. We are in a transition period in which things have become more confusing—in the short term—than they were previously, but we understand that there is an aim to simplify the system.

During this period of different sources of funding, it is important to consider that those different funds are targeted in different ways, for different purposes. If the committee will allow me, I will use the college learning programme funding—the SDS funding—as an example.

The college learning funding does not fund traditional core college places. It funds short-term employability programmes. Our current difficulty is that we are not quite sure whether there is a significant demand for those types of programmes when people are faced with not being able to access a college programme.

An example to illustrate is a young woman or man in the 16-to-24 age group who has left school with, say, one higher and wants to be a nurse. They apply to their local college to do an access to nursing programme, but that programme is full because it has insufficient places, so they are offered instead the opportunity to undertake a Skills Development Scotland college learning

programme with 192 hours of tuition and a work experience placement. We can rightly say to the young person that that is an opportunity for them, but it is not necessarily the right opportunity in the right place at the right time for them. We need to understand that what is required is not traditional college funding but different types of funding for different purposes.

Mark Batho: On the question of simplification, we are aware of colleges' need to have certainty about their budgets. The funding council is committed to getting the budgets out to colleges at the end of this year or the start of next year, as colleges begin gearing up on their recruitment processes and the like. It will take a significant effort to achieve that.

It is the case that the Government has charged us to undertake an overall simplification of the methodology. The working group, which comprises us and Scotland's Colleges, is looking precisely at getting greater simplicity. We appreciate the concerns about biscuit tin funding, but much of that funding is not actually from Scottish funding council biscuit tins. Nevertheless, colleges need to take a helicopter view, if you like, of the position. I think that everyone is committed to trying to secure greater clarification, instead of there being a situation in which people have to turn to about five different pots for similar kinds of things.

The Convener: I want to bring in SDS at this point. The example that was given clearly indicated that there is at least a question mark about what happens. Does SDS want to respond to that?

Katie Hutton (Skills Development Scotland): When the Government first asked us to run the new college learning provision, the idea was that it would not necessarily be the same type of provision as previously. We outlined the principles underpinning it in the contracting strategy, such that it would be a commissioning process—so we would seek bids from colleges to deliver the provision—and that it would be a shift away from looking at, for example, participation measures of how many people are involved in courses and a move towards retention and achieving outcomes.

As Liz McIntyre said, the nature of the provision is to be geared towards employability while offering some vocational training and including a mandatory work experience element. We know from research that individuals highly value what they learn from work experience, which gives them the ability to demonstrate their employability skills, and that employers value it, too.

It was also expected that provision would be connected to local supply and demand. We therefore asked colleges in the bidding process to

speak to local community planning partners to identify as far as possible the needs of the local economy. For tracking, we use a system called the corporate training system for the new college learning programme, which allows us to report quickly on who is participating and what the outcomes are.

The provision was not necessarily seen as being the same as other provision, and those are the principles underpinning it.

Neil Bibby: I take it that the learning programme will continue next year.

Mark Batho: I was at a meeting at Scotland's Colleges yesterday when the cabinet secretary indicated that that would be the case. He indicated that around £24 million would be ring fenced for colleges and that they could bid in to the rest of the employability fund.

Neil Bibby: Does that £24 million mean that the same number of weighted student units of measurement equivalents will be provided next year as have been provided this year?

Mark Batho: All I have at the moment is the figure; I do not have any details around it. Ultimately, it is not a funding council scheme. I was merely a witness to what was addressed at Scotland's Colleges yesterday.

The Convener: Can I just clarify something? What is the £24 million that you referred to part of? Is it additional to the money that you mentioned earlier?

Mark Batho: All I have is what I heard yesterday, which is that there will be £24 million ring fenced to the colleges out of an employability fund of £50 million. I do not have any other details.

The Convener: It is part of the employability fund, so it is different—okay.

11:30

Liam McArthur: The more that we wade into this, the more confusing it sounds. I appreciate some of the uncertainty and the reasons behind it. We have heard second-hand about the cabinet secretary's confidence in the deliverability of the range of commitments, and Mark Batho says that the Scottish funding council shares that confidence. However, given that we still do not have a picture of the extent or nature of the cuts and where they will fall, I am struggling to see how that confidence can be expressed.

I am certainly interested in Liz McIntyre's view on whether Scottish colleges share that confidence, particularly in relation to things like compulsory redundancies, which is an issue that popped up during evidence last year. John Swinney reiterated the Government's policy of no

compulsory redundancies in his statement on the draft budget, but the view last year was that there had already been compulsory redundancies, so the policy is already not being adhered to or it is not possible to adhere to it.

I would welcome an explanation of the rationale for the confidence that is being expressed when we do not have a clear picture of what has gone on, and a view on whether colleges share that confidence or where they think the pressures are likely to be.

Mark Batho: Our confidence comes from the significant evidence that we have that the programme of regionalisation and restructuring of colleges can deliver, and is delivering, quite significant savings across the piece. For example, the City of Glasgow College, which is now up and running, has indicated that the savings from its merger are of the order of £6 million a year. In its business case, which was launched yesterday—its vesting date—Edinburgh College projected £9 million of savings as a direct result of the restructuring.

The cabinet secretary has made it clear to us that he expects those savings to be recycled into the maintenance of places and the delivery of the Government's opportunities for all objectives. With that scale of funding, projected across all the activity that is taking place with regionalisation, we are clear that there will be sufficient resource within the system in the academic year 2013-14 to deliver the amount of teaching that the Government seeks, which is maintenance of the amount of teaching in academic year 2012-13, and its other objectives. Indeed, if the projections are right, there will be resource to spare. In other words, we are not playing this very tight, which allows me to make the statement that I did in my introductory comments.

Given that fact, we will go into the negotiation of outcome agreements with the regions and regional colleges over the coming couple of months with those objectives in view.

Liam McArthur: The colleges have indicated that they do not dispute the savings that are made, but my understanding is that a lot of them would dispute the timeframe within which they can be realised and, as you say, ploughed back into the teaching provision and meeting the other commitments.

Liz McIntyre: That is absolutely right. We do not dispute that there are savings to be made. Last year, we were clear that we thought that the regionalisation agenda would force efficiencies through the sector and that savings would be made, but we are at the committee today to talk about the 2013-14 settlement. We know what the figure is, so there is no sense that an additional

£20 million is coming back into the system following the two mergers. Those savings will take a bit of time to come through.

I do not want to try to quote what the cabinet secretary said yesterday, but what I thought I heard was that he is confident that there is sufficient resource to meet the Scottish Government's ambitions. That is not necessarily to say that those ambitions would match the aspirations of individuals or, as we heard in the previous evidence session, the requirements of businesses. We do not know whether that is the case. It is obviously for every Government to choose what it prioritises. The current level of cuts for next year will still have an impact on colleges, on student places and, potentially, on jobs.

Joan McAlpine: I want to go back to your earlier evidence when you seemed to question the opportunities for all focus on employability for 16 to 19-year-olds and suggested that it does not meet the needs of all your potential students.

When you gave evidence last year, you said that the priority had to be the people who are hardest to reach. You were concerned that they would suffer more. Today's earlier witnesses from business certainly talked about reaching those who are hardest to reach, which is exactly what opportunities for all is intended to do. Why has there been a change in your approach from last year to this year?

Liz McIntyre: There has not been a change in my approach. The college learning programme has its place and some young people will undoubtedly benefit from it, but it is a short, sharp intervention around employability.

The core business of colleges—and I believe that we do this well—is to combine employability skills with significant vocational qualifications. Our experience is that employers are looking for a combination of both those things. They might want someone who has achieved a Scottish vocational qualification level 2 in catering to work in their kitchen, or someone who has a City and Guilds qualification in joinery to join their construction business, but they might also want those people to have a certificate of work readiness. I support that concept 100 per cent.

The problem that we have at the moment is that the college learning programme's format is built around teaching employability skills without the substantive qualification. A model that combines the substantive qualification with employability skills would ultimately be better. Because we have had cuts in college funding, we have to choose one or the other; it is quite hard to find both.

Joan McAlpine: The evidence that you gave last year was very specific that you were concerned that there would not be enough

employability courses or opportunities for all places. That does not seem to be your concern at the moment: you have got them but you are not happy with them.

Liz McIntyre: My concern is that it is difficult for individuals to match themselves and their individual aspirations to the programmes that are available.

Perhaps I am overoptimistic and naive, but I would like people to have the opportunity that best suits them. That is still not the case. They can have an opportunity, and it might be a holding position for some people. Some might take a college learning programme because there is no college place available for them this year but they hope that one will be available for them next year. They might be in a holding pattern in one of those programmes in the hope that a modern apprenticeship will be available for them next year. I would like the system to be able to balance the available opportunities with young people's aspirations, but that is perhaps overoptimistic.

Joan McAlpine: You have raised the issue of modern apprenticeships. The SCDI, which has given written and oral evidence, has praised the number of modern apprenticeships, which has been vastly expanded. I take it that you welcome that.

Liz McIntyre: I absolutely welcome that, but the challenge in modern apprenticeships is still about finding employers who have the capacity to employ apprentices and getting those employers on board. I am a great supporter of pre-apprenticeship schemes, which get people ready to move into apprenticeships, but such schemes have to be substantial and I am not sure that, as it is currently structured, the college learning programme enables that amount of development to happen.

Joan McAlpine: There is absolutely no question but that the modern apprenticeship programme is on target, just like the 16 to 19-year-old opportunities for all is on target. That was your concern when you gave evidence last year, but that issue has been resolved and we will now have those places.

Liz McIntyre: Yes, there has been a significant increase in the number of places available. However, my point is that we have to understand exactly what we mean by a place. Places are not all the same. A college place funded by the funding council for a substantive qualification is not the same as a place on a college learning programme. They are significantly different and they have significantly different outcomes. I am trying to make the point only that we should not conflate all those different things when we talk about places because they do not necessarily

mean the same thing to everyone. It might be that an individual student wanted a college place but could not access one because insufficient college places were available.

Joan McAlpine: But you would agree—

The Convener: A short final question, please.

Joan McAlpine: Would you agree that the opportunities for all targets are the hardest to reach?

Liz McIntyre: Opportunities for all provides opportunities for people, but it is far too early to say whether those are always the right opportunities in the right place at the right time for the individuals concerned.

Mark Griffin: The written evidence from Scotland's Colleges mentions a drop of 80,000 in the number of students in Scotland's colleges since 2008-09. Do you expect that trend to continue? I would like—the previous panel said there is a need for it—some more information on that figure. Can you comment on the profile of those students—for example, the age range, the social demographic and whether they were part time or full time—and on the type of courses that would be particularly affected?

Liz McIntyre: I do not have a detailed breakdown of the numbers, but I can give you a feel from my own perspective for what is going on. There is a combination of two issues, which were picked up in the earlier evidence session. The first is that, for a number of years now, ministerial guidance letters have urged us to prioritise full-time provision and provision for young people. That has resulted in a movement of resource away from part-time learning for older people to the younger age group. Everyone has attempted to follow that guidance as best they can.

The second issue is that there is a definite decline in demand for part-time learning. As a result of economic constraints, people have less money available to undertake the type of training that they might have undertaken previously. Changes to individual learning accounts have also had an impact in that regard.

Mark Griffin: As the focus moves towards young people, how will that affect those in other age ranges who might want to upskill when they are out of work? How will it affect the economic recovery if we move—as is hoped—towards an upturn, but those people do not have appropriate skills?

Liz McIntyre: That would have a significant impact on those people. However, some of the impact is hidden. Individuals who are employed in a job that does not give them the opportunity to improve their skills or to increase their earning power might previously have been able to access

training that would move them up to a higher level of employment, but they are no longer able to undertake that training, so they stay where they are. They do not appear in unemployment statistics, but there is a potential impact on skills utilisation for employers.

It was interesting to hear the discussion with the previous panel about the balance between the private and public contributions to private sector training. In our experience, it is a lot easier to engage with businesses when we have some public funding to bring to the table. The removal of the ability to bring those subsidies along and the expectation that the private sector will contribute 100 per cent of the costs of training is making that engagement much more difficult, and employers are unable to meet all those costs themselves.

Mark Batho: I want to chip in with one extra factor with regard to the fall in student head count. From around 2008 onwards, we have been strongly encouraging—in fact, we have been requiring—colleges to get out of providing courses that have a high head count but are very short-term and have low added education value. There were a lot of those courses going on, and they were funded by us. Courses that lasted for 10 hours and were of low education value, and which were taken by a large number of people, are now being translated into longer-term courses that award properly accredited qualifications and the like. There is value to be had in doing that, but the pure head-count figure has taken a significant hit as a result.

11:45

Mark Griffin: Given that your instruction was given early, do you expect further reductions in overall student numbers, such as happened after 2008-09 and 2009-10?

Mark Batho: I expect the impact to be a one-off—at least, one that will be spread over two or three years. The impact on numbers has been significant, but it will diminish.

What I cannot predict is where the student market will go over the next couple of years. Such things go in cycles. As the economic cycle changes so, I suspect, does the demand for full-time as opposed to part-time courses. The specific element that I mentioned will have had a one-off impact on the figures—the 80,000 figure.

George Adam: In table 5 of the submission from Scotland's Colleges, on student numbers, the headcount figure for 2008-09 is 384,986. Is that accurate?

Liz McIntyre: As far as I am aware, that is an accurate figure.

George Adam: All your numbers are based on that figure. I was feeling pedantic and I was having rather a quiet weekend, so I checked the figures and found that the number is actually 374,986. In effect, an extra 10,000 students are included in the 80,000 figure that you have been talking about.

Liz McIntyre: I am sorry; I really cannot answer you. As far as I am aware, the figures were extracted from the SFC performance indicators. If there has been a typing error, I am not aware of it.

George Adam: I assure you that the 374,986 figure is correct.

Liz McIntyre: I do not know, so I have to agree with you.

George Adam: That changes the outlook on the paper.

One of the professors who gave evidence last week—I forget which one; it was the one in the middle—

The Convener: We will check the *Official Report* for that.

George Adam: His evidence was very interesting. The professor was talking about 16 to 19-year-olds, and he said that 31,000 young people could end up chapping the doors of colleges, trying to get in. He also said that at the other end, some older people would fall off. Could the argument be made that because of the generational shift in the opportunities for all agenda, a lot of young people who might not have engaged with colleges until later will be given an opportunity to engage earlier and to build something for the future?

Liz McIntyre: That argument could be made. I suppose that it is part of the early intervention and preventative spending approach. The money that we spend ensuring that 16 to 19-year-olds have the opportunity to gain the skills that they need should eventually feed through, just as what we do with three-year-olds should eventually feed through into the system.

There are currently people in the economy who are not contributing and there are people in workforces who could gain additional skills now. I understand the difficulties of prioritising in times of scarce resources, but it is about preventative spend and early intervention.

The Convener: I thank George Adam for saving 10,000 places.

George Adam: It is on the record.

The Convener: Can the figures be clarified? Is it 374,000 rather than 384,000? Is 384,000 an SFC figure?

Mark Batho: It is the Scotland's Colleges figure, but Scotland's Colleges was using our data—so we will work on that collectively.

The Convener: Between you, will you confirm the correct figure in writing after the meeting, so that the committee can be absolutely clear?

Liz McIntyre: Yes.

The Convener: There is a substantial difference between 80,000 and 70,000, notwithstanding Mr Batho's comments about factors that the figure reflects.

Clare Adamson: Perhaps I should have asked the following question earlier. Mark Batho said that the cabinet secretary gave a figure of £24 million yesterday, but we have evidence that the funding this year is £13.1 million. Is the £24 million a direct comparator of the £13.1 million or does it cover other training programmes?

Mark Batho: I must present myself merely as a rapporteur from the event yesterday, so I cannot go into detail. The cabinet secretary made it clear that about £24 million of resource for the employability fund would be ring fenced to colleges—that is where the funding council's interest comes in.

Clare Adamson: I have questions about the evidence from Skills Development Scotland. Your submission says that the new college learning programme

“links directly to further study opportunities in the Colleges.”

That does not concur with the evidence that Liz McIntyre just gave about meeting students' aspirations. Will you comment on that?

Katie Hutton: The point relates directly to one of the outcomes for which we pay. We pay for the retention of students and for outcomes. One outcome that is paid for is progression to a more advanced form of learning in the college setting.

Clare Adamson: So, assessment of the programme's success will be based on destinations, rather than just on whether training programmes were completed.

Katie Hutton: We are looking at all aspects. We look not just at the number of participants but at the number of people who stay the course in a programme. At the start of the new college learning programme, we set minimums of 192 taught learning hours and 192 hours of work experience as a guide for colleges. Some colleges do more than that. The idea was that we would look at all aspects, because the programme is about retention and about where people progress to as a result of participation.

Clare Adamson: I will ask about implementation. The programme is quite new and

is being delivered by Skills Development Scotland rather than by the funding council. There are all sorts of relationship issues with the colleges. Your submission refers to a buddy system with colleges. How is that progressing? What is the number of sign-ups? How many colleges are participating?

Katie Hutton: Only about five or six colleges did not contract with SDS for the other national training programmes. The idea was that colleges that had experience could work with others.

Through the offices of Scotland's Colleges, we have invested quite a lot of time on a work-based learning forum of colleges, which has helped us with all sorts of things, such as ensuring that we do not duplicate paperwork and that, as much as possible, we use colleges' existing attendance records formats and individual learning plans. We have had a number of sessions with colleges—the most recent one was just a few weeks ago—and they have gone really well in terms of allowing an exchange of information so that we can learn from the process.

George Adam: How have the allocations shaped the upcoming outcome agreements for colleges?

Liz McIntyre: We are early in the process of agreeing with the funding council outcome agreements for 2013-14. We do not know what the allocations will be, so it is too early to answer the question.

We are encouraged that the outcome agreement process enables us to enter a meaningful dialogue with the funding council about allocations, expectations, distribution and the balance of allocation among age groups. The level of debate about how money is applied will significantly increase, which can only be beneficial.

Mark Batho: I agree 100 per cent. The exercise in 2012-13 was useful, but it was almost like chasing after the cart. Colleges needed to know their allocations early in the year, which is when the starting gun was fired for outcome agreements.

We have learned a lot in the first year. As a result of outcome agreements, we have good articulation from colleges—and from universities—of the deliverables that will come through as a result of funding from the funding council. We will get things much better in sequence this year, as we will be able to negotiate the outcome agreements before resource is allocated.

Liam McArthur: Will the outcome agreements go into detail about the amount of teaching time that is required? Will they specify whether

compulsory redundancies are off the table? Do you expect them to go into such detail?

Mark Batho: Agreements will not go into the detail of whether compulsory redundancies are off the table, because that is not a matter for the funding council, which is dealing with autonomous bodies that are probably—or possibly—not in the public sector. However, agreements will go to the level of articulating the expectations from restructuring in colleges. We would certainly not get involved at the level of detail of staff numbers; it is properly a matter for the regional board of the particular colleges or the particular board in multiregion colleges to determine with the colleges in their region.

Liam McArthur: I appreciate the independent nature of colleges in all of this, but the minister has made clear the stated position of the Government. There is a degree of confusion, at the very least, about what the commitment means in terms of what will happen at regional level and at individual college level.

Mark Batho: I think that the Government has made clear its position on compulsory redundancies in dialogue with the colleges. That is outwith the outcome agreement process, which involves a direct relationship with the funding from the funding council and what will be delivered as a result of that funding.

Neil Bibby: Is there anything to stop you having a no compulsory redundancies policy as part of the outcome agreements?

Mark Batho: I do not think that it would be within the legal powers of the funding council to insist that the colleges that we fund follow that policy. However, the Government has made clear its position in direct engagement with the colleges.

The Convener: Could Liz McIntyre, for the sake of my peace of mind, clarify the precise role that colleges will have in delivering the opportunities for all guarantee?

Liz McIntyre: There seems to be a broad understanding that it is not the responsibility of colleges alone to deliver that guarantee. It is important that we work in partnership, which I think we are doing very well. We are working well with Skills Development Scotland, but we also have to work with the education departments of local authorities because, clearly, a significant number of young people stay on at school beyond 16, and that has to be taken into account. There is very much a partnership focus. We can deliver only the element of the guarantee that we are funded to deliver.

One of the things that comes out of the outcome agreement is a debate around what proportion of funding is allocated to that particular age group. In

our current outcome agreement, we already allocate 83 per cent of our funding to that age group. I will be resisting attempts from the funding council to push that much higher, because I am not yet aware of what the figure is for other colleges. I think that 17 per cent is not much with which to try to do everything that we have to do for everyone else. Colleges are still trying to meet the needs of a broad range of people, and we have to try to strike a balance. Skills Development Scotland and local authorities have roles to play in that guarantee.

The Convener: My second question follows on from George Adam's question. Are the budgetary allocations contingent on colleges delivering the Scottish Government's priorities? Is there a direct link?

Mark Batho: Yes, there is a direct link. The money that goes to colleges is public funding, and the outcome agreements will be framed in the context of asking colleges to deliver the Scottish Government's priorities. That is not an exclusive list—it is not saying, "You will do only these things"; but it is saying, "In exchange for the funding that you get, we expect the following," and there will be a direct link to the Government's stated priorities.

The Convener: Thank you. That is clear.

Liz Smith: Mr Batho, I am sorry to return to your role as reporter on yesterday's event, but I would like to return to the issue of the £24 million, which is a significant sum. You said that, if it were to be ring fenced for colleges, the funding council would have a role in that—

Mark Batho: If I may interrupt, I did not say that we would have "a role". Of course, we would have an interest, because we have an overarching interest in colleges. Other resources that go into colleges must interface with the resources that we put into colleges, which brings in our interest, but that is not the same as our having "a role".

Liz Smith: In that case, I will substitute the word "interest" and say that you would have an interest in what you might decide to do in terms of your funding allocations.

If that £24 million is to be ring fenced for colleges, will that impact on how you negotiate outcome agreements with the colleges?

12:00

Mark Batho: It probably will, because we need to take account of colleges' overall delivery of the Government's objectives. Obviously, a ring-fenced £24 million will have an impact. We will need to liaise closely with Skills Development Scotland to ensure that we do not do any bureaucratic double counting and to see what the college sector is

doing overall with the resource from SDS and the resource from us to ensure that the outcomes are being delivered. We will therefore have to pay attention to the £24 million, but we will not ask in our outcome agreements for accountability for that resource, which is not ours.

Liz Smith: Can you clarify that you heard about the £24 million being ring fenced for colleges for the first time yesterday?

Mark Batho: That was the announcement that the cabinet secretary made yesterday in front of the college chairs and principals.

Liz Smith: I am sorry, but can you just make it clear that that was the first time that you had heard of that?

Mark Batho: Yes—it was the first time.

Liz Smith: Thank you.

Mr Sim has been waiting patiently. Universities Scotland, along with the Government, accepted that for the 2014-15 budget the minimum level of the funding gap would be £97 million and that that would largely be addressed by making greater efficiencies within universities and by businesses and philanthropy having some impact. Given how student fees have been set elsewhere, do you believe that that figure is still realistic?

Alastair Sim (Universities Scotland): I have our figures here, but from memory I recall that we said that the overall funding gap is in the region of £200 million and that by the end of the spending review that will, according to the calculations of the expert technical group that worked over the winter of 2011, be filled by a balance from a combination of the additional public funding that was allocated in the spending review and what we expect to project from rest-of-UK fees, plus an assumption about efficiency.

Our view is that the spending review settlement met the teaching funding gap as best it could. We are certainly pleased to see that being perpetuated in the budget proposals.

Liz Smith: It was stated that the £97 million gap would be filled by making efficiencies and by business contributions and so on. Do you feel that in the years to come the potential to make significant further savings through university efficiencies and the business and philanthropic donations to universities will improve the situation?

Alastair Sim: The expert technical group projected an efficiency saving of £26 million. We have a lot of work in hand on the efficiencies front. We significantly overperformed in efficiency in the most recent spending review period. This time round we have the university experts in an efficiency task force and we have programmes on information and communications technology and

on procurement—we are already well ahead of other publicly funded sectors in the amount of shared procurement that is being done.

On realisation of savings, we have experts from the sector working on how we can further share services and modernise business practices, especially because the Treasury has to some degree liberalised the VAT regime on shared services. We have the estates directors working on how we can make the estate work as hard as possible in efficient space usage and we are moving towards our best-possible contribution to carbon reduction.

Our overall view remains as it was last year: what was presented in the spending review is a balanced package of public investment, efficiency and projections about what one might expect to realise through rest-of-UK fees.

Liz Smith: Thank you. I will come back to some of those points in a minute.

Recent trends include an increase in the number of Scotland-domiciled students studying at Scottish universities and a considerable increase in EU students studying at Scottish universities. Both those groups are paid for through the tax base. There are caps on the number of Scotland-domiciled and EU students; there are not caps on the number of students from the rest of the UK and international students, who pay fees. Is the funding gap therefore likely to increase in the coming years?

Alastair Sim: I want to see how the situation pans out in England. Our prediction was based on the aggregate amount of new income that we expected to go into the sector in England as a result of the Browne reforms that were implemented. I think that we have to let the system run at least until the medium term before we can assess whether the instabilities in the English system have settled down and we can calculate the overall quantum of new income that is going into the sector in England.

Liz Smith: Rightly or wrongly, south of the border many institutions are setting fees that are higher than was predicted. Surely that is of concern to Scottish universities, in that the potential for widening the funding gap is increasing.

Alastair Sim: The technical expert group gave us the formula, and as we looked towards the spending review we considered what the average English fee had turned out to be, once the Office for Fair Access had approved the access plans. If I remember rightly, the figure came out at about £7,781, once various discounts for students of limited means had been taken into account. We worked on the figures with the Scottish Government before the spending review was

published, and the spending review figures were predicated on the fee as things turned out in the first year of the new regime in England.

Of course, we want to keep an eye on fee levels and the overall income pattern in English universities over the medium term. There needs to be that medium-term run; we do not want to reappraise the matter while the situation in England is still pretty unstable.

Liz Smith: A medium-term run means a bit of waiting to see what takes place. We want to ensure that the university sector is delivering cost reductions and efficiency savings, as well as the quality that we all want it to deliver. Given that there is an uncapped system for rest-of-UK and international students who come to Scotland, and given that there is a funding gap, there will be pressure on some universities to ensure that they get additional income from rest-of-UK and international students. Is that correct?

Alastair Sim: There are two elements in that regard. As, I think, members are well aware, there is a protected number of Scottish and EU places and universities face fines if we do not recruit up to that number. The most recent figures from the Universities and Colleges Admissions Service demonstrate that we are recruiting up to that number. Indeed, there are extra funded places in the system, which will help the figure to grow.

Universities are dependent to some extent on rest-of-UK fee income to ensure that we are in a competitive position vis-à-vis England and that we are resourced to be internationally competitive and successful. Initial indications are that demand for Scottish university places from the rest of the UK has held up—indeed, it has slightly increased—so we approach the situation with a degree of confidence. Again, we will want to look at the pattern over the period of the current spending review, to see how things work out in practice.

Clare Adamson: There are funded places, but you need the students to fill them. You said that acceptances at universities are up 2 per cent in Scotland but down 15 per cent in the rest of the UK. Is that a direct result of the fees situation, or are other factors at play?

Alastair Sim: As far as Scotland is concerned, the protection of home and EU places—and, indeed, the injection of certain numbers of extra places into the system—has been good. We have capacity.

On the contrast between Scotland and England in relation to attracting students from the rest of the UK, we are extremely pleased that the quality of what we offer is attracting people even if the aggregate number of applicants and acceptances in England has gone down significantly this year.

The English system has not yet settled down into its final form, not necessarily in terms of law and regulation but in terms of people's reactions and behaviours. The first year has shown a degree of instability. In Scotland, we will watch with interest how that pans out to see whether, by the end of the spending review, it settles into a more stable pattern.

Joan McAlpine: We heard that the Scottish Council for Development and Industry was concerned by the UK Government's restrictions on the immigration of foreign students. In your written evidence, you talk about the significant earnings that your sector receives from foreign students. Do you share the concerns that the SCDI expressed about the UK Government's attitude?

Alastair Sim: As the UK Border Agency has revised the visa regime for students in tier 4 and talented staff in tier 2, we have been consistently clear that there are quite a number of concerns about the impact that the changes may have on our competitive ability to attract international students to a country that is recognised as a great destination for them and on our ability to attract and retain highly talented academic staff.

With robust cross-party support from the Parliament, we were able to push back the UKBA's proposals to some extent. The limits on the time that a student is allowed to stay in the country to study were extended, which better reflected the length of Scotland's degrees. There was also some progress—not enough, but some—on the post-study entitlements to work. However, to be blunt, the situation remains that the UK does not now have a competitive offer in the international market compared with, for instance, the USA, Canada and Australia, all of which know that keeping borders open to the cross-border flow of international talent is part of being a vibrant society and economy.

That is quite apart from the economic impact for Scotland that we described. In the last year for which I have figures—2010-11—£305.5 million of fees came from international students. That is a significant amount, even in relation to the amounts that we are talking about in the budget. When we do what the economists advise and double that figure to determine the impact on the economy from the spend of those students, we see that that contribution to Scotland is really significant.

We are extraordinarily grateful for the cross-party support that we had in pushing back the UKBA's proposals, but the agency has not allowed Britain to be in the competitive position in which Scotland and the rest of the UK deserve to be.

Liam McArthur: You gave a fair assessment of some of the success that we have had, but it is clear that more needs to be done. I was not

surprised by your suggestion that Canada and Australia have a more competitive proposition than the UK, but it struck me as slightly odd that you said the same about the US because, over the past number of years, there have been a number of complaints that there was almost a shutdown in the US system post 9/11. Has it opened up in the past two or three years?

Alastair Sim: As I understand the situation from what we have been looking at in the past month in making those international comparisons—although I would not want to give you an exact quote from memory—the US realised that it had overrestricted and that it had to re-liberalise, because a shutdown of the migration of talent is just so wrong if you are trying to create a vibrant and outward-looking economy. There has been a swing of the pendulum to some degree, as the US realised that being overly restrictive was stifling its vitality.

12:15

Colin Beattie: I want to have another quick kick at the funding gap. I am a new boy on the committee, but from reading the papers over a long period I have seen many figures around the funding gap. Different people have different calculations for how much it is—I have seen huge figures and smaller figures.

Do you agree that there are so many variables involved that it is difficult to pin down the funding gap, which is a concern in terms of budgeting going forward?

Alastair Sim: Actually, no. Over the winter of 2011, the technical expert group did some exceptionally useful and detailed work on the scale of the funding challenge. It looked at the projections of what might happen in England and, more importantly, produced a ready-reckoner formula, which runs through what is happening in England—once that is known—and identifies what the funding gap will be.

It came up with a fairly robust figure, which by 2014-15 is around the £200 million mark. That fed into our spending review negotiations with the Scottish Government. We were extremely assertive in saying that if the Government wanted to keep the sector in the game in terms of quality, competitiveness and inclusiveness, it had to address that gap through the combination—which we have described—of contributions from public investment, from the efficiency assumptions that have been made and from fees from rest-of-UK students.

We reached the point at which we could essentially say that the Government had done the best that it could within available resources to fill that teaching funding gap, on the basis of the very

detailed work that was produced by Universities Scotland and Government economists.

Colin Beattie: Have you produced a model that extrapolates the funding gap beyond that period?

Alastair Sim: Yes, although—to come back to what I said earlier—the instabilities in the English system would not give us a lot of confidence beyond 2014-15. On the one hand, one would expect aggregate income to the sector in England to keep on increasing beyond 2014-15, but on the other hand, there are cohort effects from more people coming in under rest-of-UK fees.

We have a framework within which we can look at that again as we come to the end of the current spending review period and as we see how things have settled down in England, but we also want to look at the situation with regard to other comparators.

To go back a little, the Scottish Government had an ambition when it was working on the new horizons strategy that we should be competitive in Organisation for Economic Co-operation and Development terms in our investment in higher education.

Come the next spending review, we can see where we are and what is happening in England, but we should be aware of Scotland's place in the wider world. Part of our identity as a successful, prosperous and outward-facing nation relies on our having a university sector that punches very substantially above its weight internationally.

The Convener: I do not know whether you have had a chance to look at the oral evidence that we heard last week. There was some discussion about the impact—or lack of impact—of the measure of growing the knowledge economy on employability and the economy in general.

Some of the comments—I am not sure that I would call them evidence—cast some doubt on that impact. Do you have any views on the impact of the university sector on growing the knowledge economy, and in particular on the direct impact on youth employability and the economy more widely?

Alastair Sim: I will tackle that in two parts. I will talk first about connectivity with business and then about employability. In our written evidence, we point out that, for the most recent year for which data is available, universities in Scotland did business with 9,000 Scottish companies, including 2,500 SMEs. We have a good system in the Interface website, which provides a portal for small businesses to find out how universities can help them.

On knowledge exchange, we start from a good place, but we potentially have a fairly promising further step change. We already have new things

coming on board through university-technology.com as a front window for Scottish intellectual property. Universities Scotland, the funding council, the SCDI and business worked together to consider how to build a single knowledge exchange organisation for Scotland that builds on existing strengths and, potentially, can build in new elements of strength from a closer relationship with key sectors. We are in a good place, but potentially we can make a step change in engagement with business.

The second part of your question was about graduate employability. That is a really fruitful area of work at present. We were delighted that so many MSPs came to our event in the Parliament last week at which we showcased a number of things that are being done to improve graduate employability. Earlier, Amy Dalrymple made the exceptionally good point, which has been reflected to us by businesses, that students need to be helped and encouraged to be self-reflective about the skills that they have developed at university. Modern pedagogy—the way in which people are now taught—involves a lot of teamwork and working on real-world problems that are drawn from the world of employment and business.

Work placements are a significant element for some students, and a lot is being done on that. There is a challenge back to the sector to ensure that students are self-reflective about their skills. One thing that might help with that is the new higher education achievement record that is being introduced. That will mean that students will not just present at the end of their course with a profile of their grades; instead, they will present with an account of what they did at university and of achievements that can be validated outside the formal curriculum.

We are keen to speak to businesses to find out whether more can be done to ensure that the opportunities that are available in the SME sector can be made as visible as possible to students. There is a lot of vibrancy in the SME sector, although that is not the sort of thing that is easy to pick up on in the big employer milk round. Let us see whether we can make those connections better. The MSPs who joined our event last week saw what the Scottish Institute for Enterprise is doing to make the most of masters courses. Masters students now get work experience, and they get credit for that as well as for academic study. There are also third sector internships, which are a good and possibly replicable model through which large numbers of students are getting real-world experience in the third sector and getting credit for it.

We intend to publish an employability strategy for the sector towards the end of this year, which we hope will capture many of the good things that

are going on and some of the elements in relation to which the conversations that we have with business show that there is opportunity for a further step change.

The Convener: I am interested in the higher educational assessment—

Alastair Sim: It is the higher education achievement record.

The Convener: Yes. It sounds like a step forward. Those of us who got a degree got a bit of paper, but that was all that we had to take to employers, who were often not sure what it said about skills. I assume that the achievement record will be broader and more detailed.

Alastair Sim: If it is helpful, we can write to the committee and outline the current state of development.

The Convener: That would be helpful—thank you.

I thank the witnesses for coming. The discussion has been helpful in ensuring that we can provide some detail in our report to the Finance Committee.

I suspend the meeting briefly before we move to our final agenda item.

12:24

Meeting suspended.

12:26

On resuming—

Subordinate Legislation

Elmwood College, Oatridge College and The Barony College (Transfer and Closure) (Scotland) Order 2012 (SSI 2012/237)

The Convener: The third item on our agenda is consideration of a negative Scottish statutory instrument. The committee considered SSI 2012/237 at last week's meeting and agreed to write to the Scottish Government to clarify a number of points. The Scottish Government's response has been circulated to members. Do members have any comments on the response?

Liam McArthur: It was helpful to pose the questions. On three out of the four, the responses were perfectly adequate. In relation to some of the specific points about the costings and assumptions, it would have been useful to get a little more detail. However, there is no reason to hold up the order.

The Convener: From a personal point of view, I thought that the Government's response was helpful and that it answered many of the questions. It certainly allayed some of the fears that were raised with us.

As no motion to annul has been lodged, does the committee agree to make no recommendation to the Parliament on SSI 2012/237?

Members *indicated agreement.*

The Convener: Before I close the meeting, as we have had some debate last week and this week about the figures in the budget, do members think that it might be helpful if I wrote to the Government on behalf of the committee to seek clarification before the cabinet secretary comes before us?

Members *indicated agreement.*

Meeting closed at 12:27.

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