



The Scottish Parliament
Pàrlamaid na h-Alba

Education and Culture Committee

The Scottish Government's Draft Budget for 2013-14

The Committee reports to the Finance Committee as follows—

INTRODUCTION

1. The Committee's scrutiny of the Scottish Government's 2013-14 Draft Budget has focussed on further and higher education. The Committee also took evidence on the culture budget.
2. To build on its scrutiny of last year's draft budget and Spending Review – which also focussed on further and higher education – the Committee agreed that the following broad objectives would shape its approach—
 - to determine how last year's final allocations helped the Scottish Government to deliver its policy objectives in this area;
 - to identify the progress that remains to be made and how the allocations in this year's draft budget will help to achieve this;
 - to assess how spending on further and higher education is contributing to the Scottish Government's overarching purpose of increasing sustainable economic growth.
3. Over the period in question the Scottish Government has established a considerable number of relevant policy objectives, which are set out in the current and previous draft budgets and ministerial letters of guidance to the Scottish Funding Council (SFC) ("ministerial guidance").¹
4. The Committee notes the complexity of certain aspects of the budget presented certain challenges in terms of scrutiny. The Committee regrets, in the context of the recommendations it made in last year's budget report, that it has been unable

¹ Scottish Funding Council, Ministerial letters of guidance, available here: http://www.sfc.ac.uk/about_the_council/letterofguidance/letterofguidance.aspx [Accessed 5 December 2012]

Scottish Government. (2011) *Scottish Government's 2012-13 Draft Budget and Spending Review 2011*. Available at: <http://www.scotland.gov.uk/Resource/Doc/358356/0121130.pdf> [Accessed 5 December 2012].

Scottish Government. (2012) *Scottish Government's Draft Budget 2013-14*. Available at: <http://www.scotland.gov.uk/Publications/2012/09/7829> [Accessed 5 December 2012].

to carry out effective scrutiny of some aspects of the budgets given the lack of clarity which surrounds many of the interpretations of the planned expenditure within the budgets. The Committee notes, with concern, the number of witnesses who made reference to this issue specifically in relation to in-year budgetary changes, the planned transfer of some expenditure from one budget area to another, and the lack of clear data which would allow the Committee to make like for like comparisons.

5. However, the Committee acknowledges that the Scottish Government has made progress in relation to several of its objectives. It is also aware from the evidence provided that there are other areas where further progress requires to be made or where there are concerns about the Scottish Government's approach. The report focuses on these areas and also suggests ways in which the scrutiny process itself could be improved, so that information placed in the public domain is presented as clearly as possible.
6. The Committee is aware that it is seeking to hold the Scottish Government to account for its spending decisions on hundreds of millions of pounds of public money, and thanks all those who have supported its efforts by providing written and oral evidence. The Committee also thanks the Cabinet Secretary for Education and Lifelong Learning and the Cabinet Secretary for Culture and External Affairs for providing oral evidence, and the former for providing at very short notice two detailed letters aimed at clarifying some elements of the draft budget.
7. The following sections consider first the further education sector, then the higher education sector and then how both sectors are contributing to sustainable economic growth². The report concludes with a discussion of the proposed spend on culture.

FURTHER EDUCATION

8. The bulk of the evidence provided to the Committee focussed on the Further Education sector. This is not surprising given the Scottish Government's plans to restructure colleges and move towards funding college regions at a time when, during the period of the Spending Review, overall the further education budget of the Scottish Funding Council will reduce. This reduction is occurring at a time of broader decline in Scottish public sector budgets as a result of UK Government spending cuts.

Background

Outcome agreements

9. In the main, college reform will entail a process of mergers and federations and will be underpinned by outcome agreements (OAs) between the SFC and college regions. OAs have been described by the Cabinet Secretary as the means by which the Government "will link funding for colleges (and universities) to a

² A glossary of key terms is included in Annexe C.

reciprocal and transparent commitment to deliver our priorities for further education and skills”.³

10. OAs were published recently for academic year 2012-13 but the Cabinet Secretary has made clear that he expects improvements to be made for 2013-14. The Cabinet Secretary has stated that “Future funding will be dependent upon delivery against outcomes and negotiations in relation to past performance will be used to adjust funding.”⁴ The extent to which colleges are delivering on their OAs will therefore be a crucial consideration in the Committee’s scrutiny of future draft budgets and college reform more generally.
11. The Committee acknowledges the benefits that can be delivered through OAs but welcomes the Cabinet Secretary’s statement that “one problem that exists in the sector ... concerns the availability of good, reliable, firm data. That is also why the outcome agreements are important, because they tie colleges down to good, concrete data that is verifiable year on year”.⁵ **This report notes at various points problems with data or information on further education and welcomes the fact that OAs should help address this situation.**

Scotland’s colleges – Current finances, future challenges

12. At the same time as the Education and Culture Committee was taking evidence on the draft budget, the Public Audit Committee (the PAC) took evidence from the Auditor General for Scotland on her recent report “Scotland’s colleges – Current finances, future challenges”. The report touches on various areas that are central to this Committee’s draft budget report. The PAC subsequently wrote to the Scottish Government with a series of questions about the regionalisation process and these are mentioned throughout this report where they are relevant to further information being sought by the Education and Culture Committee. The Committee considers that these requests for further information will together provide a fuller picture of the Scottish Government’s approach to regionalisation and the associated costs and benefits.
13. The Committee believes that financial scrutiny should not simply be undertaken in the context of the draft budget. Rather, the Committee has an on-going commitment to monitoring the Scottish Government’s progress on college reform and has recently agreed to take further evidence on the regionalisation process and the role of Skills Development Scotland (SDS). The information discussed above will help to inform those evidence sessions as well as the Committee’s future budget scrutiny.

Clarity and transparency

14. A feature of this year’s scrutiny has been the way in which several witnesses were unable to state the exact changes to further education budgets, or disagreed about whether the allocations proposed in the draft budget represented an

³ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 4.

⁴ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 5.

⁵ Scottish Parliament Education and Culture Committee. *Official Report*, 23 October 2012, Col 1560.

increase or reduction on the previous year. The majority of witnesses⁶ believed that the college budget had⁷ reduced. The changes to budgets, allied to the complexity of the figures presented to the Committee, have made its budget scrutiny difficult.

Budgetary trends

15. The Committee considers that there are various factors that play a large part in explaining these discrepancies. One of the factors is the question of whether the allocations in the 2013-14 Draft Budget are greater or less than those in the 2012-13 budget, which depends on what is being compared: the figures set out in the 2012-13 Draft Budget with the 2013-14 Draft Budget, or the *final allocations* for 2012-13 with the 2013-14 Draft Budget. The difference can be accounted for by the fact that in-year changes have been made or proposed to the 2012-13 budget, so that the final spend for that year will be higher than initially set out in the 2012-13 draft budget.

16. Given witnesses' concerns, the Committee wrote to the Scottish Government to request clarification on the allocations, as there was uncertainty about the figures. The Scottish Government provided the following tables with its letter of response⁸—

College Funding 2011-12	£m	Comment
FE programme	544.7	As planned at (previous) spending review; SFC budget figure
College bursaries (i.e. student support)	7.0	Added to SFC budget at ABR.
College places	4.0	Added to SFC budget at ABR.
Total	555.7	

College Funding 2012-13	£m	Comment
FE programme	506.9	As planned at (current) spending review; SFC budget figure
College transformation fund	15.0	Added to SFC budget at SBR in 11-12, but applied by SFC in 12-13.
Student support	11.4	Added to SFC budget at ABR.
College places	13.1	Added to SDS budget at ABR.
Total	546.4	

⁶ Neil Findlay proposed adding the words “(including all of the college trade unions)”. The proposal was disagreed to by division: For 2 (Neil Findlay and Neil Bibby), Against 7 (Stewart Maxwell, Clare Adamson, Joan McAlpine, George Adam, Colin Beattie, Liz Smith and Liam McArthur), Abstentions 0.

⁷ Neil Findlay proposed adding the word “significantly”. The proposal was disagreed to by division: For 4 (Neil Findlay, Neil Bibby, Liz Smith and Liam McArthur), Against 5 (Stewart Maxwell, Clare Adamson, Joan McAlpine, George Adam and Colin Beattie), Abstentions 0.

⁸ Cabinet Secretary for Education and Lifelong Learning. Written submission, 18 October 2012, page 1.

College Funding 2013-14	£m	Comment
FE programme	494.7	As planned at (current) spending review; SFC draft budget figure.
Student support	11.0	
College places	6.0	This will be transferred to SDS in-year as part of a larger transfer (totaling £24m over financial years 2013-14 and 2014-15) relating to the Employability Fund.
Total	511.7	

17. The Scottish Government's letter notes that—

“In summary, college resource funding has fallen slightly between 2011-12 and 2012-13, and is planned to increase marginally between the draft budgets of 2012-13 and 2013-14 (although it will fall when comparing 2012-13's *final* budget with the 2013-14 draft budget).”

18. The response goes on to state “However, taken alongside capital, the total budget is going from £590m to £655m.” It is not clear to the Committee from the letter what budgets are being described.

19. Audit Scotland has calculated that the £590m relates to the SFC's combined revenue and capital budget for the college sector in 2011/12 as set out in the 2011 Spending Review. The figure of £655m is the combined revenue and capital funding budget for the college sector in 2014-15, plus a further £157m “representing the estimated value of college capital construction works which are expected to be funded through the Non Profit Distribution (NPD) model”.⁹

20. After the Cabinet Secretary provided oral and additional written evidence, the Committee invited all other witnesses to provide their views on this evidence. Responses were received from the EIS and Scotland's Colleges. In its response, the EIS stated that it was having “great difficulty” in following the figures contained in the Cabinet Secretary's letter and was unable to state for certain how the figure of £655m was composed¹⁰.

21. The Committee notes the calculation provided by Audit Scotland and requests that the Scottish Government provides an explanation of the £655m figure. Given that colleges' capital funding was provided in the Cabinet Secretary's letter, it would be helpful if a similar breakdown could be provided in future draft budgets; currently, the capital figures for further and higher education are presented together. It would also make scrutiny easier if the Government were to distinguish clearly between money being

⁹ Scottish Parliament Public Audit Committee, Correspondence regarding the Auditor General for Scotland's report entitled ‘Scotland's Colleges, Current finances, future challenges’. Available at: <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/55985.aspx> [Accessed 5 December 2012].

¹⁰ The Educational Institute of Scotland, supplementary written submission, page 1.

provided for spending in 2013-14 and commitments to fund the cost of a capital project over the next 20 or 30 years.

22. The Committee is aware that the Scottish Government's draft budget tables always provide a comparison with the previous draft budget, not any revised budget. However, where in-year changes have been made or proposed to budgets in future years, the Committee recommends that the Scottish Government should provide it, alongside the relevant draft budget, with an explanation of how any such changes have affected the previous baseline. In general terms, the Committee is looking for budgetary information to be presented in a clear and transparent format, so that its scrutiny can be as effective as possible. The Committee invites the Finance Committee and the Scottish Government to consider how this can best be achieved.

23. To inform its scrutiny of this year's draft budget the Committee requested a report from the SFC on the extent to which it had delivered the priorities set out in the ministerial guidance. **The Committee requests that a similar annual update be provided in future years to assist its on-going scrutiny.**

Academic and financial years

24. A second factor that may account for some of the difficulty in evaluating the further education budget is the difference between financial and academic years. In essence, the vast majority of the publicly-funded budget for colleges is delivered to the SFC on a financial year basis, however, the SFC then allocates funding to colleges on an academic year basis, which has different timelines.

25. The Committee acknowledges this year's approach is not new, but notes evidence from the SFC that it can create some complexities. For example, it allocates funding to colleges some time after the draft budget is published, following the receipt of the relevant ministerial guidance. This means that the SFC was unable to talk in detail about what it will grant to colleges in academic year 2013-14. This can present difficulties for the Committee's scrutiny when colleges may be more interested in the academic year allocation for core teaching grant, rather than the financial year allocation from the Scottish Government to the SFC for all further education revenue.

26. The Committee notes that the SFC and Scotland's Colleges have been asked by the Scottish Government to undertake a simplification of the methodology for college funding. At the same time, various witnesses have suggested that an already complex situation has been made more difficult in recent years by an increased use of specific funds to address particular needs. **The Committee agrees that greater transparency in this area is essential. This is particularly the case given the move towards funding college regions rather than individual colleges. The Committee would welcome a progress update from the SFC and confirmation that relevant stakeholders will be consulted during this review.**

In-year revisions and Scottish Government strategy

27. The discussion above on in-year revisions highlights the fact that there have been frequent additional allocations made to original draft budgets. The Committee sought reassurances from the Cabinet Secretary on his strategic vision for the

sector, as the repeated use of in-year revisions at a time of significant reform could give the impression of funding being piecemeal or reactive.

28. The Cabinet Secretary pointed out that—

“Revisions to draft allocations for colleges (and, for that matter, universities) are not a feature of recent funding: these have taken place consistently since the creation of the Scottish Parliament, both at autumn and spring budget revision stages.”¹¹

29. He also stated that his strategic approach to funding colleges “remains one whereby the key objectives are to improve life chances, support jobs and growth, and ensure the sustainability of the system”. The Cabinet Secretary was not able to say whether further funding will be available for colleges prior to finalising the 2013-14 budget bill.

30. There is one further point on in-year revisions that the Committee wishes to highlight. This year’s ministerial guidance, published one week after the draft budget, makes clear that the Scottish Government wishes to make further changes to the allocations set out for the SFC. It proposes that “£24 million be transferred to the SDS in the next two financial years”¹². In other words, the proposed allocations for the SFC set out in the 2013-14 Draft Budget will change again, subject to parliamentary approval.

31. The Committee requests an explanation from the Scottish Government of why the draft budget and ministerial guidance figures are different, given the short time between their publication. The Committee considers that it would assist scrutiny if, in future, proposed changes arising from ministerial guidance were mentioned in draft budgets; or alternatively the draft budget and ministerial guidance were published at the same time.

Progress in further education

32. Determining the actual changes in and value of the further education settlement is important. It is also important to assess how these allocations will impact on the sector and help to deliver the Scottish Government’s priorities. This is the focus of the Committee’s remit.

33. In their evidence to the Committee, unions and Scotland’s Colleges were critical of the impact that spending decisions were having on colleges. These bodies consider that the further education budget, particularly the teaching grant, is being reduced over the Spending Review period, with a consequential negative impact on various aspects of college provision and the broader economy.

¹¹ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, Page 1.

¹² There are also proposed higher education changes. The letter notes that “Growing student numbers will also require budget transfers from SFC to SAAS to provide resources for the additional student support costs”.

34. When asked whether college cuts put economic recovery at risk, four union representatives agreed while the NUS added “that will be bad, particularly for unemployment but, more generally, for the economy”.¹³

35. The Federation of Small Businesses welcomed the injection of the additional £17 million that was announced in the draft budget, while the Scottish Chambers of Commerce said—

“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.”¹⁴

36. The Committee raised witnesses’ concerns with the Cabinet Secretary for Education and Lifelong Learning, both in oral evidence and in writing, and the criticisms and his responses are summarised below. These areas overlap considerably but are grouped together for ease of reference.

Student numbers

37. The discussion about the number of students in further education can be confusing as different terms are used, sometimes synonymously, while the technical means of distributing relevant funding are particularly complex. For example, the Committee heard sometimes conflicting evidence about student numbers, student places, volume of activity, head count, the standard unit of resource, volume of college learning, amount of teaching, teaching activity, full time equivalents (FTE), college waiting lists and weighted sums of measurement (or WSUMS¹⁵). Furthermore, the Scottish Government’s targets for student numbers are now to be delivered through both the SFC and the SDS.

38. In summary, the Scottish Government has a commitment to maintaining FE student numbers. The 2012 ministerial guidance for 2013-14 states that the SFC’s student number target for academic year 2013-14 will be 2,011,000 WSUMS. Other provision is to be secured through a new Employability Fund, which will be administered by SDS.

39. Before summarising the information presented in evidence, the Committee notes that this is a complex area where greater clarity is required. This is particularly the case with the discussion about college waiting lists, where there is uncertainty about the methodology applied to calculate such figures and inconsistency in interpretation of the resulting data. This impacts on the extent to which historical data is available to allow a trend analysis.

40. In oral evidence, Unison referred to evidence from colleges that “full-time and part-time student numbers and courses are being cut” and to anecdotal evidence

¹³ Scottish Parliament Education and Culture Committee. *Official Report*, 25 September 2012, Col 1482

¹⁴ Scottish Parliament Education and Culture Committee. *Official Report*, 2 October 2012, Col 1499

¹⁵ Rather than using student places, the SFC allocates its teaching and fee waiver grant using Weighted Student Units of Measurements or WSUMS. The calculation of WSUMS can be thought of as equivalent to around 40 hours of teaching or 1 SCQF credit (e.g. a Higher is 24 credits and an HND, 240). They are the basis on which funding is allocated by the SFC to the colleges.

of students “dropping out of courses as soon as they get on to them, which means that they are not counted”.¹⁶

41. The EIS considered that SFC data demonstrated a drop in the number of student places in recent years and added that “there is certainly a drop in the level of teaching activity. The weighted student unit of measurement for 2011-12, for example, is higher than the level for 2012-13 ...”.¹⁷ Scotland’s Colleges agreed that there had been a drop in the volume and value of weighted sums allocations.

42. These last points were addressed in further written evidence provided by the Cabinet Secretary, who said, “In fact, planned student activity (expressed in both Weighted Student Units of Measurement and full time equivalents) has been maintained since 2011.”¹⁸ As the actual volume of activity that was delivered will not be known until later **the Committee will continue to monitor progress on this commitment and would welcome updates from the Scottish Government as soon as concrete measurements of actual volume of activity are available.**

43. The Committee raised two specific issues around student numbers with the Cabinet Secretary¹⁹—

- reports suggesting that there were extensive college waiting lists for students; and
- evidence provided by Scotland’s Colleges to suggest that there had been a 70,000 fall in the number of students.

44. On the first point, the Cabinet Secretary responded that—

“There will always be people who apply for more than one course and people who do not get on to the course that they first wanted to get on. There is never any guarantee in any part of education that people will always get what they want as their first choice.”²⁰

45. Scotland’s Colleges provided supplementary written evidence to the Committee, which referred to a survey of colleges. 36 responded. In summary, some of the survey’s main findings are that²¹—

- “Overall numbers on waiting lists are 21,280.”
- There were “93,183 applications not resulting in the offer of a place, (of which waiting lists are a subset) and such learners may well have taken up a place at another college, or account for multiple applications, and is therefore distinct from those on a waiting list.”

¹⁶ Scottish Parliament Education and Culture Committee. *Official Report*, 25 September 2012, Col 1478.

¹⁷ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1480.

¹⁸ Cabinet Secretary for Education and Lifelong Learning. Written submission, 18 October 2012, Page 2.

¹⁹ This question has also been raised in the chamber.

²⁰ Scottish Parliament Education and Culture Committee. *Official Report*, 23 October 2012, Col 1561.

²¹ Scotland’s Colleges, supplementary written submission, page 4.

- “Not all colleges operate waiting lists and not all courses have waiting lists; as it is clearly dependent on demand. Colleges may have places available in some courses, but waiting lists on others.”

46. These figures were not universally accepted as there were some disagreements over the methodology used.

47. After receiving this evidence, the Committee received a further letter on waiting lists from the Cabinet Secretary in which he stated—

“I have particular concerns over the quality of the data deployed in support of the claim that many thousands of young people have been turned away from colleges and left without any place in learning. Waiting lists relate to places on specific courses, not places at college generally, and lists may contain people who have taken up alternative places, have found employment or have otherwise actively chosen not to go to college. Moreover, overall demand cannot be accurately measured by aggregating diverse lists that are compiled without reference to a uniform methodology.”²²

48. The Cabinet Secretary went on to confirm that he intends to—

“undertake an audit of individual college waiting lists, including a detailed examination of Scotland's Colleges' data and methodology. This will seek to clarify the extent - if any - of unmet need. I will, of course, share the findings with the Committee as appropriate”.

49. The Committee welcomes the Cabinet Secretary’s intention to undertake an audit, as this is an issue where much clearer information is required, and would expect all parties to agree the proposed audit methodology. The Committee also notes that the Public Audit Committee has asked the Scottish Government whether it intends to start collecting information to provide a national picture of the number of applicants to Scotland’s colleges, which would enable the Government to determine the extent to which demand is outstripping supply. **The Committee looks forward to receiving further information from the Scottish Government as this will inform the Committee’s future work on regionalisation.**

50. In terms of student numbers, the Cabinet Secretary said that he believed it was best “to present this as full-time equivalents”. He explained that there is a full-time equivalent of 116,000 students and pointed out that the “head count varies from year to year because of changes in the number of full-time as opposed to part-time places and the number of short courses as opposed to longer courses”. He also claimed that “The number of opportunities for young people is higher than ever.”²³

51. In its supplementary written evidence, Scotland’s Colleges said that it had been unable to find any reference in SFC published figures to the 116,000 figure, pointing out that “FTE has been at around 126,000 over the past few years”.

²² Cabinet Secretary for Education and Lifelong Learning. Written submission, 8 November 2012, Paragraph 3.

²³ Scottish Parliament Education and Culture Committee, *Official Report*, 23 October 2012, Col 1560.

52. It is the Committee's understanding that these two figures may refer to different years and different groups of students. The Scottish Funding Council's statistical database, 'inFact', shows that there were 126,939 FTE students in 2010-11. However, this includes all college students, whatever the source of the funding for their place i.e. not just those funded through public money.

53. The Committee would welcome clarification from the Scottish Government on this matter.

54. In terms of falling 'head count', the SFC explained that, from 2008 onwards, it has 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 ... the pure head-count figure has taken a significant hit as a result.”²⁴

55. The Committee notes that a similar issue around student numbers arose during last year's budget scrutiny. Its recommendation in that report was as follows—

“Considering the potential for disagreement about exactly what constitutes a 'student place', the Committee considers that this should be clarified by the SFC as soon as possible so that the Committee is able to monitor the impact in this area. In particular, any changes must be transparent and establish a baseline that would allow comparisons to be made with previous years.”²⁵

56. The Committee is disappointed that, despite the recommendation it made last year, contradictory views continue to be expressed. The key consideration is how to establish a single recognised measure of student numbers on which all parties can agree and which will allow meaningful analysis of trends to be made.

Staff numbers and teaching quality

57. The EIS considered that budgetary reductions have impacted on staff numbers as well as student numbers, citing Scottish Government statistics published in September 2012 showing 1,300 fewer further education staff than a year previously. This amounts to an 8% decrease. The EIS also predicted that college mergers will “lead to some rationalisation, with the HNC and HND courses being reduced”²⁶. **The Committee would be concerned if the reduction in staff numbers were to impact on the Scottish Government's objective of promoting economic growth and therefore seeks assurances about how this is being avoided.**

²⁴ Scottish Parliament Education and Culture Committee, *Official Report*, 23 October 2012, Col 1527.

²⁵ Scottish Parliament Finance Committee. 3rd Report, 2011 (Session 4). *Report on Scottish Spending Review 2011 and Draft Budget 2012-13* (SP Paper 48). Annexe E – Report from the Education and Culture Committee. Available at: <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/45089.aspx#anne> [Accessed 5 December 2012].

²⁶ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1481.

58. Unison highlighted the specific example of careers guidance for HNC and HND students, claiming that SDS and colleges are debating who should provide such advice “with the result that no careers advice is being provided”.²⁷

59. Various witnesses questioned the overall impact of staff reductions on the likely quality of future teaching and students’ learning experience. For example, Paul Buchanan, the former chair of the board of management at Reid Kerr College, said—

“My key point is that the tightness of the funding may impact on quality. The potential impact of having larger class sizes, fewer places available for students and more administration carried out by teaching staff is that, although there will be greater numbers going through the system, the education provided will be of a lower quality”.²⁸

60. Given regionalisation and budgetary pressures, the Committee asked the Scottish Government to confirm whether it had made any projections of the likely change in staff and student numbers over the next few years. In his response, the Cabinet Secretary noted that staffing is a matter for individual colleges and said that he was “encouraged that, to date, reform is progressing in a manner that avoids the need for compulsory redundancies”. He also reiterated his commitment to maintaining the volume of college learning through the 2013-14 Draft Budget.²⁹

61. The Committee recognises the need to reassure all those in further education that the reduction in staff is not having an adverse impact on teaching quality. **The Committee therefore recommends that the Scottish Government, in conjunction with Education Scotland, provides assurances as to how quality is being maintained in colleges during this period of reform.**

The role of SDS

62. A recent trend in the sector is the relatively small, but increasingly important, role being played by Skills Development Scotland (SDS) in the procurement of further education.

63. The Scottish Government has asked SDS to procure in academic year 2012-13, through a pilot College Learning Programme (CLP), 4% of the provision that had previously been funded by the SFC. While ministerial guidance asks the SFC to deliver provision in terms of a WSUMs target, SDS has a delivery target of 5,800 new starts and does not have a target for the amount of learning activity or number of full time equivalent places that this would represent.

64. The 2012 ministerial guidance mentions another new fund, the Employability Fund, which is also to be administered by SDS. In the next two financial years, a total of £24m will be transferred from the SFC to the SDS for this fund, money that is to be ring-fenced for colleges. In academic year 2013-14 SDS is being asked to deliver 8.5% of provision, with a consequential reduction in the SFC’s student numbers target.

²⁷ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1471.

²⁸ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1442.

²⁹ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 1.

65. The Committee seeks clarification from the Scottish Government on how SDS targets for future years will impact on the SFC and how a clear comparison with SFC targets will be provided. This will allow the Committee to scrutinise more effectively the Scottish Government’s commitment on maintaining student numbers. The Committee would also welcome confirmation that, in seeking to deliver its targets, SDS is being provided with a level of resource equivalent to that being provided to the SFC to deliver its targets.

66. It is too early for the Committee to provide meaningful comment on the merits of the SDS-managed initiatives listed above. Scotland’s Colleges acknowledged that some students would undoubtedly benefit from the CLP but also set out some concerns—

“...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.”³⁰

67. There were also more general criticisms in evidence about the approach to funding in further education (i.e. they are not specific criticisms of the SDS). For example, Paul Buchanan, the former chair of the board of management at Reid Kerr College, raised concerns about competing small pots of money, what he described as—

“... an increasing number of small pots that are aimed at funding initiatives to get people into employment and training. In Renfrewshire, for example, there are as many as seven competing biscuit tins of money trying to get people back into employment and to get young people involved in the labour market and education. That is causing a bit of duplication and confusion in the marketplace, and it is potentially causing increased administration and the need for more co-ordination.”³¹

68. The Scottish Chambers of Commerce called for a review of various aspects of the post-16 education system, stating that parts of the system are “opaque”.³²

69. Bearing such comments in mind and given the changing relationship between the SDS and the SFC, the Committee sought assurances from the Cabinet Secretary on how the organisations will work together effectively, and also sought clarity on the likely future balance between SDS and SFC provision.

70. Mr Russell replied that—

“I cannot, obviously, at this stage say what the likely future balance between SDS and SFC provision will be beyond this point; decisions on this and related matters will be made at an appropriate time in the future.

³⁰ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1524.

³¹ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1442.

³² Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1499.

I expect colleges to continue to derive funding from a range of sources; as a matter of principle I am less concerned with how funding is routed than I am with the extent to which it helps to achieve the objectives.”³³

71. The Committee supports the Cabinet Secretary’s focus on outcomes rather than sources of funding. However, given private sector concerns, this should not be at the potential risk of making the landscape difficult to understand or scrutinise.

72. The Committee has agreed to hold an evidence session specifically on SDS. In order to inform that session, the Committee requests an explanation from the Scottish Government of the policy reasons behind the evolution of SDS’ role including the anticipated benefits of asking SDS to provide an increasing percentage of college provision. The Committee also requests more detail from the Scottish Government on how it will evaluate the success of the College Learning Programme and how this will inform all future SDS input in further education.

Focussing on younger learners

73. The programmes managed by the SDS are examples of the increasing focus on younger college learners. The Scottish Government’s ministerial guidance has made it clear that 16-19 year olds are to be the top priority for colleges. The SFC, in working with colleges on regional outcome agreements, is to ensure that sufficient college places are allocated to this age group.

74. This means that colleges have a role to play, along with other public bodies, in helping to deliver Opportunities for All (OFA), the Scottish Government’s offer of a place in education or training to all 16-19 year-olds who do not already have one.

75. The Scottish Government will not specify the number of young people who will receive their OFA support through a college “as learning should be appropriate to the individual and not driven by government target”. The Cabinet Secretary noted that colleges will have a “major role” in delivering OFA, however, there is no separate funding provided to colleges to deliver OFA as the Scottish Government considers that “delivering opportunities to young people is a key component of colleges’ core offer”.³⁴

76. In oral evidence, Professor Jim Gallacher pointed out that there were 31,000 young people not in employment, education or training, and that such people could be difficult to engage. He also said—

“If we are bringing more young people into the college sector, we must be confident that we can give them courses of appropriate quality that are likely to lead to relevant qualifications.”³⁵

77. There is no particular outcome or level of qualification that every young person must achieve although OFA. The Cabinet Secretary stated that “Provision should

³³ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 1.

³⁴ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 7.

³⁵ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1444.

be accredited where that is appropriate to the needs of the young person and where it helps improve their prospects to progress”.³⁶

78. In oral evidence, the Federation of Small Businesses welcomed OFA and its focus on employability skills for young people. The Scottish Chambers of Commerce also highlighted that it had discussed with colleges the need for students to develop skills around project management, presentation, team working and communication. It is working with Skills Development Scotland and the SQA to develop a certificate of work readiness that will demonstrate to employers that people have such skills.

79. OFA was launched very recently and it is therefore not possible to evaluate its success at this stage. While there was acknowledgement in evidence of the need to focus on younger students, given youth unemployment figures, there was also some concern expressed that prioritising younger learners may lead to learners outwith this group being displaced.

80. Professor Jeremy Peat supported the priority being accorded to OFA but said that pursuing it “at a time of severely constrained resources”³⁷ could lead to other aspects of colleges’ work suffering. Professor Jim Gallacher similarly asked whether the quality of the provision in colleges could be maintained. Paul Buchanan considered that “management [in further education] will be able to take these young people into colleges and provide them with some form of learning opportunity”³⁸.

81. The Committee is concerned to ensure that any additional demand resulting from OFA will be met and seeks clarification from the Scottish Government about how this will be achieved. The Scottish Government is also invited to explain whether the prioritisation of younger learners could lead to other learners being displaced and, if so, the possible consequences for the labour market and the wider economy.

82. In terms of the budget’s broader impact on equality groups, the Scottish Government’s equality statement notes that if the “unprecedented restructuring of Scotland’s colleges” is “not undertaken carefully” it may impact more on older female students, those with disabilities and those from low income backgrounds. The statement notes the Scottish Government’s intention “that we can continue to support adequately the types of provision most commonly undertaken by these groups”.³⁹

83. The Scottish Government will produce an equality impact assessment in 2013-14 as further education reorganisation plans take shape. **The Committee will monitor the impact of college reform on groups with protected characteristics. It will also consider equality issues in scrutinising the forthcoming post-16 learning bill. The Committee requests that the Scottish**

³⁶ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 8.

³⁷ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1451.

³⁸ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1449/50.

³⁹ Scottish Government. (2012) *Equality Statement: Scottish Draft Budget 2013-14*. Available at: <http://www.scotland.gov.uk/Publications/2012/09/5750> [Accessed 5 December 2012].

Government provides an update on how changes to date are impacting on those with protected characteristics.

84. The Committee notes that the Public Audit Committee has asked the Scottish Government how it will seek to ensure that Scotland's colleges will meet increasing demand for college education with diminished resources. This information will also help to inform the Education and Culture Committee's ongoing work on regionalisation.

Regionalisation and efficiencies

85. The Scottish Government is committed to a process of regionalisation through which it wishes to see the establishment of thirteen college regions, each of which would be responsible for the provision of learning within a particular geographic area.

86. The Committee will separately examine the Scottish Government's overall approach to and timetable for regionalisation in more depth at a later date. However, regionalisation is important from a budget scrutiny perspective as it is expected to deliver significant savings, although there are some concerns about the timescale over which these will be achieved.

87. The 2012 ministerial guidance states that the SFC needs to secure efficiency savings of about £18m in academic year 2013-14 rising to about £33m during academic year 2014-15 – a total of £51m over two years. The guidance makes clear that “all regions ... should contribute” but that “no region is required to make efficiency savings of more than around 6% in AY 2013-14, with further efficiency savings from these regions in AY 2014-15”.

88. While the SFC and Scottish Government are united in their view that efficiencies can be made, in 2011-12 the SFC delivered 4.8% efficiency savings, representing a cut of £22m to college budgets. At that time the SFC advised the Scottish Government that “more than a 5% efficiency gain would be likely to damage quality of provision”.⁴⁰

89. One witness, the former chair of the board of management at Reid Kerr College, told the Committee that previous efficiency drives had reduced the opportunities for further savings—

“When the cuts first started to hit home a couple of years ago, the response of colleges was tremendous and a lot of smart work was done in colleges to trim costs, consolidate classes, increase class sizes, manage classes more efficiently and so on. As far as I am aware, much of the work on efficiencies to stretch the available resource has been done, so I would find it difficult to see

⁴⁰ Scottish Funding Council. (2010) SFC Paper 10/86 provided to council meeting, 10 December 2010. Edinburgh: Scottish Funding Council. Available at: http://www.sfc.ac.uk/about_the_council/council_board_committees/Councilpapersandmeetingdates/2010/Councilmeeting10December2010.aspx [Accessed 5 December 2012]

how further efficiencies in teaching could be made without significant reductions in student numbers.”⁴¹

90. However, both the SFC and the Cabinet Secretary are clear that there are savings to be made from regionalisation. The Cabinet Secretary stated that these would amount to £52m for 2014/15.⁴²

91. In oral evidence the SFC stated that—

“regionalisation and restructuring of colleges can deliver, and is delivering, quite significant savings across the piece. For example, the City of Glasgow College ... has indicated that the savings from the merger are in the order of £6m a year ... Edinburgh College projected £9m of savings as a direct result of restructuring.”⁴³

92. The SFC was confident that re-investing the savings from regionalisation into college provision would not only allow student places to be maintained but should also generate a surplus—

“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 ... if the projections are right, there will be resource to spare.”⁴⁴

93. In oral evidence, Scotland’s Colleges accepted that there were savings to be made from college reform but added “those savings will take a bit of time to come through” and that they would not come through the 2013-14 settlement.⁴⁵

94. Employers organisations all believed that colleges could do more in the future to engage with business. The Scottish Council Development and Industry suggested that the Scottish Government’s regionalisation agenda may help achieve this—

“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.”⁴⁶

95. The Audit Scotland report “Scotland’s colleges – Current finances, future challenges”, noted that “Colleges ... reported accumulated surpluses totalling £206 million and had a combined £205 million of cash and cash equivalents as at 31 July 2011”. In his oral evidence, the Cabinet Secretary said that he expected “that reserves will be used substantially to support the meeting of the costs of

⁴¹ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1446.

⁴² Scottish Parliament Education and Culture Committee, *Official Report*, 23 October 2012, Col 1564.

⁴³ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1523.

⁴⁴ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1523.

⁴⁵ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1524.

⁴⁶ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1501.

merger and federation across Scotland”⁴⁷. He also provided the Committee with a detailed explanation of the Scottish Government’s College Transformation Fund, which, along with SFC strategic funding, provides £25m funding to support mergers. £13.7m of this has been spent to date and forthcoming mergers are likely to account for a substantial proportion of the remaining funding. **The Committee would welcome further detail on what these funds have been spent on.**

96. Regionalisation will be part-funded by using reserves as well as specific funds such as the College Transformation Fund. It is also expected that the process will release future savings – quantified as £52m by 2014/15.

97. **The Committee would welcome clarification from the Scottish Government that the efficiency savings to be secured by the SFC are to be met entirely through the regionalisation process. Given the SFC’s comments about the savings from regionalisation possibly resulting in “resource to spare”, the Committee also asks the Scottish Government to clarify how this resource would be spent.**

98. The Scottish Government will provide, in response to the Auditor General for Scotland’s report mentioned earlier, a detailed assessment of the costs and benefits of the regionalisation proposal. In addition, the PAC has requested that the Scottish Government provides evidence to demonstrate that it has learned the lessons of previous public body mergers. **This information will help to inform the Education and Culture Committee’s scrutiny of regionalisation, which is an on-going process.**

HIGHER EDUCATION

99. The Scottish Government’s most recent priorities for higher education are contained in the 2012 ministerial guidance. The Committee is likely to consider some of these priorities, particularly around access, in more detail when it scrutinises the Scottish Government’s forthcoming post-16 learning bill.

Funding

100. In the 2011 Spending Review the Scottish Government committed itself to maintaining a ‘university sector that is internationally competitive’. This followed the UK Government’s decision to allow English universities to charge up to £9,000 per year in tuition fees, a situation which the Scottish Government acknowledged could lead to a ‘funding gap’ between Scottish and English universities.

101. The additional £135.5 million allocated to the SFC HE programme over the spending review period (taking 2011-12 as the baseline year) is intended to ensure that Scottish universities remain competitive. Universities Scotland, in oral evidence to the Committee, reiterated its view that this settlement “met the teaching funding gap as best it could”⁴⁸. The Committee asked the Cabinet Secretary to confirm whether the Scottish Government had calculated the size of

⁴⁷ Scottish Parliament Education and Culture Committee, *Official Report*, 23 October 2012, Col 1567.

⁴⁸ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1533.

the funding gap for the next two years and whether public funding would be sufficient to fill it.

102. In response, Mr Russell stated that “There is no funding gap.” He went on to explain that—

“tuition fees in England have provided very little additional investment in the sector, rather they have replaced public investment (reduction in teaching grant) with private fees. This resulted in a drop of 54,000 students accepted to English institutions in 2012-13 compared to 2011-12.”⁴⁹

103. There are various factors that could lead to there being a funding gap, and also different possible means of closing this gap, for example, Scottish universities making efficiency savings, some sort of service charge for EU students, or public funding through the Scottish budget. The money that has been and will be committed through this year’s and next year’s Scottish budget is known, but the other factors that could either create, or help bridge, the funding gap over the Spending Review period are not all known.

104. Alastair Sim from Universities Scotland stated in oral evidence—

“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.”⁵⁰

105. He added later—

“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.”⁵¹

106. The Committee accepts that increased Scottish Government investment in the sector over the spending review period has helped bridge a possible funding gap between Scottish and English universities. **However, the Committee requests information on how the Scottish Government plans to address any future funding gaps should they arise beyond 2014-15. The Committee also requests a progress report on a potential EU service charge.**

⁴⁹ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 5.

⁵⁰ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1533.

⁵¹ Scottish Parliament Education and Culture Committee, *Official Report*, 2 October 2012, Col 1535.

Student support

107. The biggest change in the 2013-14 draft budget compared with last year's document relates to higher education student support. Specifically, the Student Awards Agency for Scotland (SAAS) budget has increased by £186.4 million, from £558 million to £744.4 million. This equates to a 30.2% annual rise in real terms.

108. The majority of the budget increase in student support relates to funding of student loan payments. The settlement suggests a reduction in bursary support and an increase in the amount of maintenance loans available to higher education students. In essence, from academic year 2013-14 a minimum income of £7,250 will be available to Scottish domiciled undergraduates. Young students from the lowest income households will have access to a £1,750 bursary and a loan of £5,500⁵². The Scottish Government expects the minimum income guarantee to benefit 40,668 students next year. All students will be eligible for a student loan of at least £4,500 a year, while certain part-time students will receive support for tuition fees. The Scottish Government provided the following table, showing estimates in take-up of the various levels of student support in 2013-14—

Support type	Household income group	Number of expected students	Bursary (£)	Loan (£)	Total support (£)
Young Students	Less than £17,000	24,047	1,750	5,500	7,250
	£17,001 - £23,000	7,982	1,000	5,500	6,500
	£23,001 - £32,000	9,906	500	5,500	6,000
	£32,001+	56,835	0	4,500	4,500
	Total Young Students	98,770			
Independent Students	Less than £18,000	16,621	750	6,500	7,250
	£18,001 - £29,000	1,635	0	6,500	6,500
	£29,001 - £32,000	290	0	6,000	6,000
	£32,001+	2,172	0	4,500	4,500
	Total Independent	20,718			
Total		119,488			

109. The Scottish Government's fulfilment of its commitment on student support was welcomed in oral evidence, particularly by Robin Parker of the NUS Scotland who said—

“We have laid the foundations to make access much fairer in Scotland by keeping tuition fees off the table and providing the student support package, but we must address access and turn it into reality.”⁵³

⁵² Currently, the maximum bursary available through the Young Students Bursary scheme is £2,640 for students from households with an income of £19,310 or less.

⁵³ Scottish Parliament Education and Culture Committee, *Official Report*, 25 September 2012, Col 1471.

110. The settlement suggests a move away from bursary and grant support to loans. The Committee recognises that this could be a more cost effective way of providing additional student support.⁵⁴ **However, it requests that the Cabinet Secretary clarifies the impact on poorer students, especially in terms of overall debt levels and potential drop-out rates.**

111. The Cabinet Secretary stated in written evidence that—

“Every pound spent by the Scottish Government on bursary support puts one pound in student pockets. Every pound spent by the Scottish Government on loan support puts 3 pounds in student pockets.”⁵⁵

112. He also stated that student debt is only repayable beyond a certain income threshold, can be written off after a period of time and noted that “debt levels are substantially less for Scottish students studying here than they are for students studying in England”⁵⁶. There was no discussion of the potential impact on drop-out rates.

113. **The Committee recognises that the Scottish Government has fulfilled its commitment on student support and notes the strong backing from NUS Scotland. However, given recent concerns about the processing of applications for student living expenses by SAAS, the Committee seeks an assurance from the Scottish Government that the agency will be fully prepared for the implementation of the new student support system.**

ACHIEVING INCREASED SUSTAINABLE GROWTH

114. The third part of the Committee’s remit is to assess how spending on FE and HE is contributing to the Scottish Government’s overarching purpose of increasing sustainable economic growth.⁵⁷ This stems from a suggestion in the Finance Committee’s draft budget guidance that other committees could consider whether spending decisions in their portfolios align with this overarching purpose.

115. The contribution that the further and higher education sectors make to the economy is a complex and multi-faceted question, which cannot be fully explored in the context of time-limited draft budget scrutiny. Nevertheless, the main points raised in evidence are discussed below for the Finance Committee’s consideration.

World class universities

116. The 2013-14 Draft Budget states that public funding in higher education will help to “ensure” that Scotland has a “university sector that is internationally competitive and truly excellent in world terms”. It also notes universities’ contribution “to the development of a highly skilled workforce and ... a world-class research base with strong links to Scottish businesses”.

⁵⁴ Neil Findlay and Neil Bibby dissented from this sentence.

⁵⁵ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 6.

⁵⁶ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 6.

⁵⁷ The Scottish Government’s purpose is “To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

117. The Committee asked the Scottish Government how the international competitiveness and excellence of Scotland's university sector is actually determined, bearing in mind that some Scottish universities fell in the recent Times Higher Education World University Rankings.⁵⁸

118. In his response, the Cabinet Secretary response set out the performance indicators used in the Times Higher Education rankings. These demonstrate that research quality and impact are significant criteria in measuring international competitiveness and excellence, an area where Scotland has traditionally done very well.⁵⁹

119. In written evidence to the Committee, the Cabinet Secretary noted that research undertaken in Scotland had a significant impact world-wide but that "not all of this has been as well reflected in terms of growing the Scottish economy as we might have wished". The Cabinet Secretary restated his desire to protect excellence in research, noting that the SFC will increase the total level of Research Excellence Grant (REG) to £223 million in cash terms. This will mean a focus on world-leading or internationally excellent (3* and 4*) research, and a move away from funding for research recognised internationally (2*).⁶⁰

120. Scottish universities are competitors in an international market place. The Committee shares the Scottish Government's aspiration that our institutions be "truly excellent in world terms" and will monitor the extent to which the change in approach in research is delivering that aspiration.

University and industry links

121. As ministerial guidance letters make clear, there is a considerable amount of activity underway in universities around commercialisation, innovation, graduate entrepreneurship and employability. The Committee asked the Cabinet Secretary whether any projections had been made of how all this activity would impact on economic growth and the labour market.

122. The Cabinet Secretary stated his belief that "the post-16 agenda will lead to a significant improvement in the efficiency and effectiveness of our colleges and universities that will be of benefit to the Scottish economy". In particular, Mr Russell highlighted that a college or a university education can lead to an increased earning capacity for students. He noted that "Ultimately this will result in increased tax revenue and spending power, both of which have direct effects on the economy of the country."⁶¹

123. Mr Russell noted, too, that higher level skills are "an important factor in attracting and retaining industry in Scotland", citing Framework Programme 7 figures showing that organisations in Scotland have been successful in attracting over €374 million investment in innovation and R&D activities.

⁵⁸ BBC News, *Scottish universities drop in Times Higher Education world rankings* Available at: <http://www.bbc.co.uk/news/uk-scotland-19823466> [Accessed 5 December 2012]

⁵⁹ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 3.

⁶⁰ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 6.

⁶¹ Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 3.

124. The Cabinet Secretary provided some extremely helpful and detailed information on Scottish Government efforts to support graduates into work, and on new innovation centres being established by the SFC and Enterprise Agencies. The aim of these centres is to “[harness] the academic research base to address the problems faced by business and industry”⁶². In terms of determining their success, the Cabinet Secretary noted that this will involve the extent to which business and industry become partners in innovation centres and invest in them over a prolonged period. The success of innovation centres will be measured by the jobs and the Gross Value Added they create, as well as through increased engagement and partnerships between Industry, academia and Enterprise Agencies.

125. The Education and Culture Committee is aware that the Economy, Energy and Tourism (EET) Committee is considering whether to commission external research on commercialisation of intellectual property and research, with a view to undertaking a short inquiry on this topic in 2013. **The Education and Culture Committee will forward relevant information described here to the EET Committee, in order to inform its work.**

126. The Committee also highlighted to the Cabinet Secretary issues raised by academics around —

- Scotland having a high number of jobs requiring no education beyond compulsory school education;
- a lot of intermediate-level jobs being filled by graduates, which limits the scope for people with FE qualifications to deploy their skills.

127. These issues were not directly addressed in the response. However, **the Education and Culture Committee is aware of the Finance Committee’s work around employability and is highlighting these issues in the expectation that they may inform this work.**

Climate change and equalities

128. The Rural Affairs, Climate Change and Environment (RACCE) Committee and the Equal Opportunities Committee have asked other committees to consider climate change and equalities issues in their budget scrutiny.

Climate change

129. The Education and Culture Committee wrote to both the Cabinet Secretary for Education and Lifelong Learning and the Cabinet Secretary for Culture and External Affairs for further information on how climate change considerations had been taken into account in the 2013-14 Draft Budget. The Committee will forward the responses to the RACCE Committee and invite it to consider whether, in future years, there would be more merit in it writing to relevant Cabinet Secretaries directly, rather than asking other committees to perform this role.

⁶² Cabinet Secretary for Education and Lifelong Learning. Written submission, 30 October 2012, page 3.

Equalities

130. Questions of equality have informed the Committee's questioning throughout the budget scrutiny process and it can be seen as somewhat artificial to have to provide a separate account of this issue, particularly where 'mainstreaming' is the goal. As is apparent from this report, there is a considerable amount of ongoing activity and reform in the further and higher sectors and it was not possible for the Committee to address in full all the questions contained in the Equal Opportunities Committee's guidance. For example, the question about "which equalities groups/strands are most likely to be adversely affected (and/or best protected) by budget decisions" would be very difficult to answer; there are myriad "budget decisions" and six different protected groups (some of which, for example race and religion, can be seen to contain several other groups).
131. Nevertheless, the Committee notes that, in its call for evidence, it asked for views on the extent to which equalities considerations have informed decision-making. It also wrote to the Cabinet Secretary to ask for evidence of how equalities considerations have informed the reshaping of the college sector and associated budgetary allocations; and whether any equality groups could be disproportionately affected by this process of reform. In its response, the Scottish Government referred the Committee to its Equality Budget Statement and noted that "equalities issues are being taken into account as part of our ongoing programme of Post 16 reform". The Committee has also stated its intention to monitor the impact of college reform on equality groups.

CULTURE

132. In advance of its budget scrutiny, the Committee held a series of one-off evidence sessions on the following culture issues: Creative Scotland; differences in cultural participation; the youth music initiative; and local authority cultural trusts.
133. The Committee then took oral evidence from the Cabinet Secretary on these issues and the 2013-14 Draft Budget at its meeting on 23 October.
134. The proposed allocations in the 2013-14 Draft Budget have changed very little from last year's budget. Where changes have been proposed, the amounts involved are relatively small or were planned in the 2011 Spending Review. The Cabinet Secretary reiterated her position that—
- "... as a consequence of the reductions in my budget that were made in the 2011 spending review, the Scottish Government will be unable to respond to additional requests for funding received throughout the year. I am again challenging the bodies that we fund to develop creative, innovative and collaborative solutions to the funding pressures that we all face."⁶³
135. Given the consistency in the draft budget figures, the Committee's questioning focussed on culture issues, primarily around Creative Scotland and cultural trusts.

⁶³ Scottish Parliament Education and Culture Committee. *Official Report*, 23 October 2012, Col 1574.

ANNEXE A: EXTRACT FROM MINUTES OF THE EDUCATION AND CULTURE COMMITTEE

24th Meeting, 2012 (Session 4) Tuesday 25 September 2012

Draft Budget Scrutiny 2013-14: The Committee took evidence on the Scottish Government's Draft Budget 2013-14 from—

Paul Buchanan, former Chair of Board of Management, Reid Kerr College;
Professor Jim Gallacher, Emeritus Professor of Lifelong Learning, Glasgow Caledonian University;
Professor Jeremy Peat, Director, The David Hume Institute;
David Belsey, National Officer, Further and Higher Education, the Educational Institute of Scotland;
Robin Parker, President, NUS Scotland;
Emma Phillips, Regional Organiser, UNISON;
Mary Senior, Scottish Official, University and College Union Scotland.

25th Meeting, 2012 (Session 4) Tuesday 2 October 2012

Draft Budget Scrutiny 2013-14: The Committee took evidence on the Scottish Government's Draft Budget 2013-14 from—

James Alexander, Senior Policy and Communications Manager, Scottish Council for Development and Industry;
Amy Dalrymple, Policy and Research Manager, Scottish Chambers of Commerce;
Mary Goodman, Senior Policy Adviser, Federation of Small Businesses;
Mark Batho, Chief Executive, Scottish Funding Council;
Katie Hutton, Head of National Training Programmes Policy and Integration, and Danny Logue, Director of Operations, Skills Development Scotland;
Liz McIntyre, Principal of Borders College, Scotland's Colleges;
Alastair Sim, Director, Universities Scotland.

26th Meeting, 2012 (Session 4) Tuesday 23 October 2012

Draft Budget Scrutiny 2013-14: The Committee took evidence on the Scottish Government's Draft Budget 2013-14 from—

Michael Russell, Cabinet Secretary for Education and Lifelong Learning;
Andrew Scott, Director of Employability, Skills and Lifelong Learning, Scottish Government;
Sarah Smith, Director of Learning, Scottish Government;
Mike Foulis, Director of Children and Families, Scottish Government.

Fiona Hyslop MSP, Cabinet Secretary for Culture and External Affairs;
Wendy Wilkinson, Deputy Director, Culture Division, Scottish Government;
David Seers, Team Leader, Cultural Excellence, Scottish Government;
Myriam Madden, Director of Finance, Historic Scotland.

Draft Budget Scrutiny 2013-14: The Committee considered the evidence taken on the Scottish Government's Draft Budget 2013-14.

28th Meeting, 2012 (Session 4) Tuesday 6 November 2012

Draft Budget Scrutiny 2013-14 (in private): The Committee considered a draft report to the Finance Committee on the Scottish Government's Draft Budget 2013-14. Various changes were agreed to, and the Committee agreed to consider a revised draft, in private, at its next meeting.

29th Meeting, 2012 (Session 4) Tuesday 13 November 2012

Draft Budget Scrutiny 2013-14 (in private): The Committee considered a draft report to the Finance Committee on the Scottish Government's Draft Budget 2013-14. Various changes were agreed to, and the Committee agreed to consider a revised draft, in private, at its next meeting.

30th Meeting, 2012 (Session 4) Wednesday 14 November 2012

Draft Budget Scrutiny 2013-14 (in private): The Committee considered a revised draft report to the Finance Committee on the Scottish Government's Draft Budget 2013-14. Various changes were agreed to (one by division) and the report was agreed for publication.

ANNEXE B: ORAL EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE

24th Meeting, 2012 (Session 4) Tuesday 25 September 2012

Written Evidence

[Professor Jim Gallacher \(248KB pdf\)](#)
[The Educational Institute of Scotland \(287KB pdf\)](#)
[National Union of Students Scotland \(234KB pdf\)](#)
[UNISON \(174KB pdf\)](#)
[University and College Union Scotland \(304KB pdf\)](#)

[Oral Evidence](#)

25th Meeting, 2012 (Session 4) Tuesday 2 October 2012

Written Evidence

[Federation of Small Businesses \(189KB pdf\)](#)
[Scottish Council for Development and Industry \(179KB pdf\)](#)
[Scotland's Colleges \(369KB pdf\)](#)
[Scottish Funding Council \(229KB pdf\)](#)
[Skills Development Scotland \(230KB pdf\)](#)
[Universities Scotland \(391KB pdf\)](#)

[Oral Evidence](#)

26th Meeting, 2012 (Session 4) Tuesday 23 October 2012

Written Evidence

[Cabinet Secretary for Culture and External Affairs \(146KB pdf\)](#)
[Cabinet Secretary for Education and Lifelong Learning \(87KB pdf\)](#)

[Oral Evidence](#)

Supplementary written evidence

[Letter from Scotland's Colleges to the Committee - 3 October 2012](#)
[Michael Russell, Cabinet Secretary for Education and Lifelong Learning, letter to Committee following oral evidence given on 23 October 2012 - 6 November 2011 \(137KB pdf\)](#)
[Michael Russell, Cabinet Secretary for Education and Lifelong Learning, letter to Committee following oral evidence given on 23 October 2012 - 13 November 2011 \(7KB pdf\)](#)
[Scotland's Colleges supplementary evidence \(364KB pdf\)](#)
[The Educational Institute of Scotland supplementary evidence \(252KB pdf\)](#)

Other written evidence

[Age Scotland \(244KB pdf\)](#)

ANNEXE C: GLOSSARY OF KEY TERMS

ABR	Autumn Budget Revision
AY	Academic Year
CLP	College Learning Programme
COSLA	Convention of Scottish Local Authorities
EET	Economy, Energy and Tourism Committee
EIS	Educational Institute of Scotland
EU	European Union
FBB	Federation of Small Businesses
FTE	Full Time Equivalents
HE	Higher Education
HNC	Higher National Certificate
HND	Higher National Diploma
NPD	Non Profit Distribution
NUS	National Union of Students
OA's	Outcome Agreements
OFA	Opportunities For All
PAC	Public Audit Committee
R&D	Research and Development
RACCE	Rural Affairs, Climate Change and Environment Committee
REG	Research Excellence Grant
SAAS	Student Awards Agency for Scotland
SCC	Scottish Chambers of Commerce
SCDI	Scottish Council for Development and Industry
SDS	Skills Development Scotland
SFC	Scottish Further and Higher Education Funding Council, more commonly known as the Scottish Funding Council
SQA	Scottish Qualifications Agency
VAT	Value Added Tax
WSUMs	Weighted Sums of Measurement