



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION AND CULTURE COMMITTEE

Tuesday 29 September 2015

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EDUCATION AND CULTURE COMMITTEE

22nd Meeting 2015, Session 4

CONVENER

*Stewart Maxwell (West Scotland) (SNP)

DEPUTY CONVENER

*Mark Griffin (Central Scotland) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Chic Brodie (South Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Liam McArthur (Orkney Islands) (LD)

*John Pentland (Motherwell and Wishaw) (Lab)

*Mary Scanlon (Highlands and Islands) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor Alice Brown (Scottish Further and Higher Education Funding Council)

Alan Coleman (Scottish Government)

Professor Paul Hagan (Scottish Further and Higher Education Funding Council)

Laurence Howells (Scottish Further and Higher Education Funding Council)

Fiona Hyslop (Cabinet Secretary for Culture, Europe and External Affairs)

Dr John Kemp (Scottish Further and Higher Education Funding Council)

Malcolm Pentland (Scottish Government)

Liz Smith (Mid Scotland and Fife) (Con)

CLERK TO THE COMMITTEE

Terry Shevlin

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education and Culture Committee

Tuesday 29 September 2015

[The Convener opened the meeting at 10:01]

T in the Park

The Convener (Stewart Maxwell): Good morning and welcome to the 22nd meeting in 2015 of the Education and Culture Committee. I remind everyone present to keep their electronic devices switched off at all times, because they interfere with the sound system.

Agenda item 1 is an evidence-taking session with the Scottish Government on the funding of this year's T in the Park festival. I welcome to the meeting Fiona Hyslop, the Cabinet Secretary for Culture, Europe and External Affairs, and her accompanying officials. Good morning to you all.

I invite the cabinet secretary to make some opening remarks.

The Cabinet Secretary for Culture, Europe and External Affairs (Fiona Hyslop): Thank you very much, convener—

John Pentland (Motherwell and Wishaw) (Lab): I am sorry, convener, but—

The Convener: Hold on a second, cabinet secretary.

John Pentland: Just before the cabinet secretary starts, convener, I believe that at the pre-meeting you said that 45 minutes had been allocated for this evidence session. I do not believe that that is enough to look at the circumstances surrounding this issue, and I ask that the time limit be extended to as long as it takes.

The Convener: That discussion took place in private. As has been said before, John, discussing in the public domain matters that the committee has discussed in private is not an acceptable way to behave. You should know that by now.

I ask the cabinet secretary to continue.

Fiona Hyslop: Thank you, committee members and convener.

I am pleased to have the opportunity this morning to speak to the committee about the Scottish Government's support for the T in the Park festival. On 14 August, I provided a detailed account to Parliament, in response to a parliamentary question lodged by Liz Smith, on my

decision to provide funding support for the festival. Members of the committee should have the text of that answer along with a detailed timeline of the decision-making process, indicating that we published information on the grant on 28 July, almost immediately after the grant's payment.

In my opening remarks, I want to highlight the motion that was agreed to by the Parliament in April, which recognised the

"key role that"

our

"festivals"

and

"cultural events ... play in making"

Scotland

"a great place to live, work, study and visit and in enhancing"

our

"international reputation."

Indeed, members from across the parties spoke of the economic benefit of T in the Park in particular.

The T in the Park festival plays just such a key role. It is one of the most popular and successful cultural events in Scotland's annual events programme. Since it was first staged in 1994, T in the Park has become a rite of passage for many of our young people, and each year it delivers significant economic impact, drives additional tourism and supports jobs. Last year, it generated £15.4 million for the Scottish economy.

I first became aware that T in the Park's organisers were expressing concerns over the event's longer-term viability in May and, as cabinet secretary with lead responsibility for major events, I met the chief executive officer of DF Concerts and Events to discuss that serious situation. It was clear to me that the organisers faced a number of unanticipated additional costs in staging the event as a result of the requirement to move from the previous site at Balado and the three-year-only time-limited condition attached to the planning consent for use of the new site at Strathallan.

Following a detailed consideration of options, I approved funding of £150,000 from my major events budget for operational costs associated with the transition to the new site, subject to a number of conditions, including the successful delivery of this year's event, with a clawback clause should the event not be delivered in 2016 or 2017. That was done in order to seek to protect the future of an important and iconic event and its economic, cultural and reputational benefits for Scotland.

I am happy to answer any questions that committee members may have.

The Convener: Thank you, cabinet secretary. Mary Scanlon has a question.

Mary Scanlon (Highlands and Islands) (Con): My first question is something of a complaint. As a member of the Public Audit Committee, I know how important the audit trail is. When our committee papers came out on Thursday, I asked the clerk, Terry Shevlin, for the audit trail. All that you gave us, cabinet secretary, was the written answer to Liz Smith's question and a list of meetings and dates. That is not an audit trail.

The clerk spoke to Government officials on Thursday night—I have a copy of the email—and was told that nothing else was available. In other words, there was no audit trail, and what we had was all that there was.

However, last night, when I got home at around 8 o'clock after my Pilates class, I found 628 pages of an audit trail waiting for me. Do you consider that to be courteous to the committee? I actually consider it contemptuous. The document was not that difficult to read, because a lot of the pages had every sentence blacked out. However, the fact is that 628 pages came in less than 16 hours before this meeting, and those 628 pages were not available on Thursday evening. Can I have a response on that point, please?

Fiona Hyslop: The committee asked for information, and the information was supplied to the committee. The information that was issued last night was released as a result of the number of freedom of information requests. As the member knows, information that is commercially confidential would be redacted, as information that concerns security would be.

The vast majority of the information that was released following freedom of information requests concerned transport issues, which, as far as I am aware, this committee is not looking at. The committee wants to know what was paid out and why and, indeed, when the information was provided.

In relation to the parliamentary question that I answered on 14 August, I point out that Liz Smith asked specifically about how much money was involved and about dates. I took an early opportunity to ensure that the answer that I gave was much fuller than that, because I wanted to provide that information. That answer was published earlier than the final date by which it was required.

On the decision-making dates, you have the information in the papers before you. The budget information that was supplied to us in relation to the additional and extra costs that were being met

by T in the Park with regard to the transition is commercially sensitive information and has not been supplied to the committee or in response to the freedom of information requests.

I thought that it was courteous to ensure that information that has been provided to people who had submitted freedom of information requests was also provided to the committee. As I said, the vast majority of the information concerns transport issues, which is separate from the matter that the committee is concerned with in its inquiry.

Mary Scanlon: You had the information, but you refused to give it to me on Thursday night. However, you gave it to whoever made a freedom of information request—a journalist or someone else who has every right to make that request. Are you saying that a freedom of information request takes precedence over a parliamentary committee's request and that, if it had not been for the freedom of information requests, we would not have seen those 628 pages and would have had only your timeline?

Fiona Hyslop: The timeline takes you through what decisions were made—

Mary Scanlon: It does not give an audit trail.

Fiona Hyslop: It gives you the information about what was requested and when. It gives you—

Mary Scanlon: It does not give an audit trail.

The Convener: Mary, if you let the cabinet secretary answer, I will let you come back in.

Fiona Hyslop: It provides you with a systematic distillation of what happened and when, and what decisions were taken and when. To me, that gives you clarity about what happened and when it happened. I wanted to ensure that the committee had that clarity. We could have given you a range of transport information that you or your clerks would have had to work through, but I thought that it was much more beneficial to the committee to have everything laid out in a systematic way, driven by dates. That is the trail of the dates and the decisions that were taken. In addition to the written answer that I provided on 14 August, it gives a comprehensive description of what happened and when.

Mary Scanlon: I would like to reserve the right to ask the cabinet secretary back, given that the answers so far are unsatisfactory.

I will move on to my questions. Why were DF Concerts and Tennent's, which was the main sponsor, so desperate for taxpayers' money? In the past three years, DF Concerts has had profits of more than £5 million, £4.75 million and £4.5 million. Could it not afford the £150,000? The holding company with a 78 per cent share in DF

Concerts has a turnover of £167 million. Why did DF Concerts go to the Government for £150,000?

Fiona Hyslop: There are two issues. The committee will be aware that the Scottish Government provides funding for profitable companies to safeguard jobs and support the economy in all the sectors that are key to the Government's economic strategy. There are seven sectors, two of which are the creative industries and tourism sectors. The situation is therefore not unusual.

In relation to T in the Park, DF Concerts has given information that a seven-figure amount was required to provide for the costs—and, in particular, the unanticipated costs—of the transition from Balado to Strathallan. The seven-figure costs and the severely reduced revenues that the company anticipated—information as provided to us in its budgeting in relation to the event—meant that the event this year certainly, and possibly in future years, would not be in a position that it would want to continue. The shareholders of the companies that Mary Scanlon cites indicated to them that, if there was no profitability for the event, it would be preferable to move from a multiday, multistage festival that brings economic benefits to rural Perthshire to single-day, single-stage events, possibly in a city such as Glasgow, as has been done recently, or, indeed, to move the festival away from Scotland. That would mean that the £15.4 million-worth of economic benefit that comes to Scotland would no longer be in Scotland. With the difference between profitability and the interests of DF Concerts with regard to the event, it could make the decision not to continue the event at Strathallan.

As members might appreciate, that is why the clawback clauses exist, particularly if the event should not go ahead in 2016 or 2017. Indeed, the grant was given only after the delivery of the event in 2015.

Mary Scanlon is right to cite the company's profits. That also means that it will make decisions about what events it will support or not support or continue with.

Mary Scanlon: In the briefing note from Jennifer Dumpsie to the cabinet secretary on 28 May, the request is based on

"four main areas in the budget regarding infrastructure".

Those areas are bridges, water supply investment, investment for copper and fibre cable, and a steel road trackway. All those are infrastructure items.

I refer to a letter to Geoff Ellis—there are many papers. The Scottish Government's economic development directorate said in a letter to Geoff Ellis:

"Under no circumstances can the Grant be used to support infrastructure ... Eligible operational are only:

- Venue Hire Costs
- Costs for Consultants".

I read the 628 pages last night. Nowhere did I see anything about venue hire, and I saw nothing about the costs of consultants. The request was for infrastructure.

Given that our time is limited to 45 minutes, I put it to you, cabinet secretary, that this was a done deal, given the applicant's close connections with the Scottish National Party: £150,000 to a company with multimillion-pound profits. You decided to allocate the money, scurried round the state-aid situation, and more than £150,000 in officials' time was spent to find which budget the matter might fit into.

The request was for infrastructure, and under no circumstances could the grant have been paid for infrastructure. If that is not a fraudulent application, I would like the cabinet secretary to tell us why not.

The Convener: I urge caution about the use of that language and ask that you be careful.

Mary Scanlon: I would be very happy if the cabinet secretary could tell us that there was nothing fraudulent here.

10:15

Fiona Hyslop: Convener, I am sure that you will guide the committee very carefully in terms of the language that is used and the allegations that are being made.

The terms of the grant were published on 28 July, and the grant application itself was also published. The committee will be able to identify that information.

The applicant, Geoff Ellis, has, as far as I am aware, no associations with the SNP. It was Geoff Ellis I met with and Geoff Ellis I had the discussion with. Geoff Ellis is the chief executive of DF Concerts.

In relation to the application itself and the terms and conditions, I was quite clear at my meeting with DF Concerts in May that I thought that it would be a challenge to identify what could be done in terms of support because of other funding that DF Concerts had already received.

For example, Glasgow City Council had provided £200,000 over 2013-14, which is more—

Mary Scanlon: It has nothing to do with Glasgow.

Fiona Hyslop: It does, convener. If I can continue with my point, in terms of the different

types of state aid, de minimis state aid was not applicable in this case because of the other public money that had gone into that company. De minimis would have been under £200,000, which was applicable to DF Concerts because of the money that it had received from Glasgow City Council. Investment in infrastructure was also not available under the state-aid rules.

Operational state aid could be provided for the transition—specifically for venue hire and costs that were particular to the transition in the form of planning consultants' costs. That was how the grant that was provided operated; it was also what was applied for.

Liz Smith (Mid Scotland and Fife) (Con): Cabinet secretary, I refer to paragraph 4.2 of the letter that the Scottish Government sent to Geoff Ellis in July 2015—we do not have the exact date, incidentally. It states that the grantee—namely, DF Concerts—

“shall, on completion of the Project, submit a report to the Scottish Ministers summarising the performance of the Project. Such a report shall include such statistical and other information relating to the impact of the Project as shall be required by the Scottish Ministers. It shall also include a clear breakdown of what the Grant was used for”.

Despite repeated attempts by many members of this Parliament, by journalists and by various other people, we do not have that clear business case based on which the award was made.

Last night, members of the committee received half a document, much of which was redacted. Can you clarify exactly what the business case was for providing the grant of £150,000, because as yet we do not have that on record?

Fiona Hyslop: In order for the Scottish Government to provide a grant, particularly where the situation relates to state aid and where exemptions have to be identified to allow such a grant to be paid, and for the grant to achieve accountable officer approval—which it did, at senior civil servant level—we had to be assured of certain information. The information included company reports and accounts, which were provided to us, but also commercially confidential information, which is why that information has been redacted in the response to freedom of information requests, and the budget for the event itself, which is again commercially confidential information.

This year's T in the Park got planning approval barely eight weeks before the event was to take place. That had an implication for ticket sales and thus for the revenue that could be achieved for the event, which was problematic.

The information that was required was provided to us, and the rationale was provided. The report containing the statistical information on impact and

expenditure will be provided to the Scottish Government—it is required to be provided, and it will be provided, under the conditions of the grant.

Liz Smith: I want to come back on that point.

Perth and Kinross Council awarded the planning consent for the project. At what stage did you have discussions with Perth and Kinross about the viability of the project, given that you cite extreme circumstances? Did you discuss the matter with Perth and Kinross Council, as well as DF Concerts?

Fiona Hyslop: I respect the independence of Perth and Kinross Council. The council takes its planning decisions independently; and it took that planning decision. That was the council's responsibility. It would not have been correct for the Scottish Government to interfere with the council's planning decisions.

The decision that the council took to limit the planning conditions to three years, rather than five years, clearly had implications for the transitional costs. Those could not be spread over a longer period of time but had to be concentrated in a three-year period. Part of that decision-making process, which I did not interfere with, and neither should I have—

Liz Smith: With respect, cabinet secretary, it is not about interfering. I totally accept that it is not for the Scottish Government to do that.

The Convener: Liz—

Liz Smith: May I just finish, convener?

The Convener: Yes.

Liz Smith: It is about adequate information. Given that you are citing that there were extreme circumstances, possibly relating to the viability of the whole festival, was there any discussion between the Scottish Government, DF Concerts and Perth and Kinross Council about that?

Fiona Hyslop: DF Concerts can speak for itself about its discussions with Perth and Kinross Council. I personally did not have a discussion with Perth and Kinross Council. I do not have discussions with other local authorities where we fund festivals. Indeed, we provide funding for festivals right across Scotland—not least in the city of Edinburgh but also in other parts of the country. We make decisions as the Scottish Government.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I want to clear something up before I go on to my questions. Mary Scanlon raised a number of points relating to Jennifer Dempsie. I do not want to involve any individual, but I want to make the picture clear. Did you know that the request for an initial meeting came from Jennifer Dempsie?

Fiona Hyslop: I did not know that the request for the meeting in May came from Jennifer Dempsie. She did not attend the meeting that we had with DF Concerts and I had no discussions about funding with her.

Gordon MacDonald: That is fine. That clears up the point that I wanted to address.

The Scottish Government has a state-aid unit. What was its role in the provision of grant funding to DF Concerts?

Fiona Hyslop: Clearly, it was essential that I took advice from the state-aid unit. A colleague from the unit—Alan Coleman—is with us today. In the steps that we took in connection with the decision making, we would have checked what was and was not applicable, to make sure that our state-aid functions were properly carried out. That included notifying the European Commission about the application for and the allocation of the grant; that was reported to the Commission at the appropriate time and was done fully and transparently.

Information was also published on the Scottish Government website at the time. We are very conscious of what can and cannot be done in relation to providing state aid. That is why, for example, we could not provide de minimis state aid, because Glasgow City Council had already provided funding to the company, and other investment was not applicable. However, there were additional costs of the transition in relation to venue hire and planning consultants, not least because of the environmental aspect.

Gordon MacDonald: The information that is provided by the clerk's timeline is that on 18 June there was

"further advice from Major Events officials to the Cabinet Secretary on options for supporting the T in the Park event."

On 26 June,

"Major Events officials obtain Accountable Officer approval of intended approach to providing funding"

and there was

"Further funding advice provided to the Cabinet Secretary by Major Events officials."

Can you share any of that advice? What was the accountable officer's role?

Fiona Hyslop: The timeline was provided by us to the clerks for them to provide to the committee; it is information that we provided. Some of the information and advice that officials gave me is confidential, because it includes information that we received from the company in relation to reports, accounts and budgets for the event.

The decision was not made in isolation by me, as is being alleged by other committee members.

It was made together and collectively with the advice of Government officials. In relation to the signing off of the final grant, the role that the accountable officer at senior civil service level took was appropriate, because that is what we do in such situations.

I point out that it is not unusual for the Government to support a company to safeguard jobs and sustain the economic interests of the country. In doing so, we have to reflect on the event's importance. Creative industries, tourism and festivals are not of second-class importance in their impact on the economy, but the view that they are second class might be held by those who do not support the festival and who have spoken out against having it at Strathallan. Lots of interests are at play. My interests are the economic interests of the country, the cultural offering that we make to generations of young people and the development of the contemporary music scene in Scotland.

The Convener: Mr MacDonald can have a quick supplementary question.

Gordon MacDonald: You mentioned the European Commission, cabinet secretary. What was the significance of the Commission issuing an official scheme number?

Fiona Hyslop: That was a validation of the notification that was appropriate, given that not only was the grant state aid but we indicated where we thought the general exemption lay. That means that the decision is public and that we make sure that people know about it. It also allows the Commission to question the position at any time. That is part of the process of being open and transparent about what we are doing.

Mark Griffin (Central Scotland) (Lab): I want clarification of an answer that you gave. You said that you were advised that the festival was under threat and might not go ahead. Is that correct?

Fiona Hyslop: Yes. I refer you to the written answer that I gave on 14 August. In paragraph 8 of that answer, I said that, several months ago,

"DF Concerts and Events confirmed that the 2015 event could be delivered under pressure but that the additional costs faced in relation to it were a threat to its longer term viability on that site."

In paragraph 11 of that answer, I made it quite clear that the grant was given in

"order to protect the future staging of the event in Scotland."—[*Written Answers*, 14 August 2015; S4W-26910.]

I have been clear about that right from 14 August, although that has not been reported as widely as it might have been.

Mark Griffin: From your answer earlier, it seemed as though the 2015 festival would have

been under threat if the funding were not to be awarded. Can we be clear that that was not the case? The 2015 event was delivered regardless of any Government funding.

Fiona Hyslop: That is why the grant was given after the event. It was only ever going to be given if the event took place. The event took place but, in terms of its longer-term viability, it was essential that the clawback clauses were in place for 2016 and 2017.

When I met DF Concerts in May, it was only 16 days or so after the planning decision was made to limit the festival to three years at the current site. That put additional pressure on the spread of the seven-figure costs that DF Concerts was citing. Even at that time, it was unclear whether the festival could go ahead but, as discussions developed, it was clear that it could go ahead, under pressure.

However, the point was about the profitability of the event going forward. If the DF Concerts shareholders think that the festival does not provide them with what they need, they will move it. That is not in the interests of Scotland.

I am standing up for T in the Park, for the tens of thousands who go every year and for the generations of people who have attended in the past. It has been an important part of developing the music scene and the contemporary music acts that have gone on to greater and wider success. That is in the interests of our country.

George Adam (Paisley) (SNP): Gordon MacDonald asked about Jennifer Dempsie and many allegations have been made about her and her role in all this. Can you categorically tell us what her role was in the whole scenario and whether she was paid any consultancy fees from the grant?

Fiona Hyslop: The relationship was between Jennifer Dempsie and DF Concerts—she was a staff member of DF Concerts. In terms of her connections, if her work involved arranging diaries for Geoff Ellis, that is a matter for DF Concerts. As for her connection with me, I know of her because she worked as a special adviser—I think that her contract finished in 2009. I have not had a relationship with her in the past six years as a friend or anything like that. My relationship was with Geoff Ellis. Jennifer Dempsie was not at the meeting and did not discuss any funding with me. She was a paid employee of DF Concerts—she was not a consultant.

On the payment issues, the grant for venue hire and planning consultants would not have gone to Jen Dempsie, as she was an employee of DF Concerts, and planning consultants are clearly defined by their role in relation to planning. I hope

that that helps to clear up some of the allegations that are being made.

10:30

George Adam: At the time, were you aware that Jennifer Dempsie was trying to make the appointments for meetings, or were you not involved at that stage?

Fiona Hyslop: I was not involved. I do not see every piece of correspondence that comes in. Because Jen Dempsie stopped being a special adviser probably about six or seven years ago, there is no reason why anybody in my office would know who she was. She was not part of the meeting. She did not discuss funding with me. My meeting was with Geoff Ellis. If Geoff Ellis, who is the chief executive of the biggest festival in Scotland, wants to meet you because he has concerns about that event's viability, I think that you meet him.

John Pentland: To follow on from that point, why was a private company able to secure direct access to a cabinet secretary through Ms Dempsie, a former aide to Alex Salmond, rather than by going through the official channels?

Fiona Hyslop: Excuse me—would you mind moving your mike closer to you? I am having difficulty picking up what you are saying. Thank you.

I am sorry—I did not catch the beginning of your question.

John Pentland: To follow on from George Adam's point, could you tell us why a private company can secure access to your office through Ms Dempsie, a former aide to Alex Salmond, rather than by going through the official channels?

Fiona Hyslop: The answer is that the official channels involve DF Concerts, as a company, getting in touch with me. I did not know who the individual was who made the arrangements for that. I think that that answers your point. The request was from what I think is the biggest events company that we have in Scotland; the chief executive of the biggest events company, which runs the biggest music festival, wanted to meet me, and I thought that that was a reasonable thing to do.

The Government meets businesspeople all the time. We meet people who run festivals—I meet festival directors from across Scotland all the time—and that is a normal thing to do in government, particularly if there are concerns, so I met the chief executive of DF Concerts. If there is an implication that it is somehow incorrect for somebody to have worked for the Scottish Government six years previously, I would comment that people have livelihoods, and they

work for companies. My relationship was with the company, and that is who I met.

John Pentland: So you were unaware that Jennifer Dempsie worked for DF Concerts.

Fiona Hyslop: No—I knew that she was working there. I think that her contract finished in May.

John Pentland: Have you met Jennifer Dempsie? Did you meet her at the SNP conference?

Fiona Hyslop: Yes—I met her very briefly. Geoff Ellis wanted to let me know about concerns, but the company was looking at the planning and, as is the case with everybody I see as a Government minister, I cannot discuss planning issues. He told me about the environmental work that the company was doing on ospreys. I made it clear that, because the matter was still subject to a planning decision by Perth and Kinross Council, I could hear what he was saying but I could not and would not discuss anything.

John Pentland: Will you advise the committee of who else attended that meeting?

Fiona Hyslop: That was not a meeting. We met briefly at conference.

John Pentland: Will you advise the committee who else was in your company when you were having a discussion with Jennifer Dempsie?

Fiona Hyslop: I think that there were delegates from my branch, but I do not remember.

John Pentland: I return to a question that my colleague Mark Griffin asked about the funding. Did the company suggest at any time that it would pull the plug if it did not get the funding?

Fiona Hyslop: The company said that its shareholders were putting pressure on it to consider moving the festival from being a multiday, multistage event. Why is a multistage, multiday event important? If we take the T Break stage, the likes of Biffy Clyro have broken into the music scene by using that stage, so having a multistage arena is important to the success of the event for Scotland. The company indicated that it was under pressure to move from that format to a single-day, single-stage event—which it has been developing in Glasgow—or, if it wished to keep the festival in a multistage, multiday format, it might have to move out of Scotland.

John Pentland: Did the company suggest that it was going to pull the plug this year?

Fiona Hyslop: I answered that question clearly on 14 August. The company said clearly that

“the 2015 event could be delivered under pressure but that the additional costs faced in relation to it were a threat to its longer-term viability on that site.”

John Pentland: Regarding the £150,000 that has been paid to cover three years, with a clawback position in 2016 and 2017, why have you given £150,000? Why not give £50,000 and then, if need be, another £50,000 next year and the year after? Why have you given £150,000 now?

Fiona Hyslop: That is because the funding was for transitional costs for the venue hire for 2015, for the venue to establish itself, and to ensure that the cost of the planning consultants—again, that was a one-off cost in relation to that year—could be met.

The level of funding is on a par with that for a number of events, such as the Turner prize event that is about to open in Glasgow. That is a great event for the city and is quite important. It has been provided with support from public funds to the tune of £150,000. The world pipe band championship regularly receives £100,000. The John Muir festival received £210,000. The amount of funding for other festivals and events is not different from the level that we are discussing. In fact, some events get even more.

That is a question for Parliament and the committee. Do you believe that cultural tourism is important? Do you think that festivals form part of our economic offering? I believe that they do, and T in the Park, as one of the biggest ones, certainly does. A lot of people in the events industry will be wondering about the commitment that people have to that part of the economy and will be looking closely to see where they get support from.

John Pentland: I agree that funding is really important for these iconic events that take place. However, there is a concern about the process for accessing funding.

Convener, when will I be able to come back in?

The Convener: I will bring you back in later.

Chic Brodie (South Scotland) (SNP): I have two questions: one is about the business case and the other is about precedents.

On the business case, the £150,000 that we have talked of was paid after the T in the Park event. That might suggest that the company did not have a cash-flow problem. What do we do if the results after audit show that the company made a profit of, say, £151,000? Was there any indication that, in the event of there being a profit this year, the £150,000 would be clawed back?

What business case was presented up front regarding the whole project? I disavow the suggestion that T in the Park would move, because I think that it is co-joined with Scotland. What business case was presented to afford the festival the £150,000? Issues have been presented relating to a move but, in my

experience, companies usually have contingencies in the event that things do not go the way they should.

Fiona Hyslop: We discussed cash flow with the company, because that might have been one of the issues in need of resolution. The company made it quite clear that it was not a cash-flow issue but an issue concerning the profitability of the event and its success in the future, and that it therefore could take the hard decision that, if the considerable additional costs that were associated with the move from Balado—

Chic Brodie: Surely the additional costs—

Fiona Hyslop: Clearly, there were anticipated costs, which were exactly what should have been planned for and were planned for. It was only in the summer of 2014 that it became apparent that an environmental impact assessment would be required. I think that T in the Park is the only festival that has had to go through that additional planning process; it has had to go through a process that other events that have moved have not had to go through. Therefore, the planning application was more complex, particularly with regard to the considerable environmental issue of the impact on the ospreys. That was not anticipated at the time of the decision to move from Balado. Further, the venue hire was much more costly than had been anticipated.

I have talked about the condition limiting the consent to three years. The other conditions related to environmental impact on nesting ospreys and so on, which reduced the footprint of the land that was available to be used. In turn, that reduced the number of people who would be able to attend, compared with previous years. There were also slow ticket sales due to the fact that people did not know until eight weeks before the date of the event that the event would take place. People will be familiar with the marketing of T in the Park and will know that ticket sales are usually conducted way in advance. It was, therefore, quite clear to us that there was an issue about that when we were approached.

On the projections for the future, the company made it quite clear to us that it would have difficulties in the next two years and that it would therefore make a decision about whether to keep the event at Strathallan or move it elsewhere, perhaps on a single-stage, single-day model, which it has had some experience with and which has been profitable. It will not help the rural economy of Perth and Kinross if the event is moved to a single day on a single stage in the city of Glasgow. That is also a consideration

You asked why the matter is of interest to the Government.

Chic Brodie: No—I asked where the business case was to prevent that.

Previously, funds have been made available from bodies such as Creative Scotland, VisitScotland and Scottish Enterprise. What approaches were made to any of them?

Fiona Hyslop: One of the things that we had to look at was the availability of funding, and one reason why there was available funding in the events funding budget line was that the costs of the music of black origin—MOBO—awards were being pushed from this year into later years, which freed up funding, particularly for this year.

The nature and timing of the event meant that it was not possible for the company to apply for the regular funding that might have been available from other organisations, such as EventScotland or Creative Scotland. The event was not new; it was a transferring one. EventScotland will quite often support event development and marketing.

Scottish Enterprise provided funding in 2012-13 for a feasibility study to look at alternative sites to Balado for hosting T in the Park as part of looking at the economic impact. Scottish Enterprise was prepared to support that, because £15.4 million is important to the Scottish economy. Creative Scotland provided funding of £80,000 in 2013-14 to try to introduce new art forms to a new audience. That was about audience development. VisitScotland provided additional marketing funding relating to the year of homecoming in 2014, as part of a big push to promote Scotland around the world. That was part of its funding.

That gives members an explanation of the funding from other public bodies.

Chic Brodie: Did you have a business case for the extra £150,000?

Fiona Hyslop: Yes, we did. We would not have approved it otherwise.

Liam McArthur (Orkney Islands) (LD): I want to follow up Chic Brodie's line of questioning. We have heard in response that there was not an existential threat to the event in 2015; that it was going to go ahead, albeit under pressure; and that the concern was more about 2016 and 2017. Earlier, you suggested that the impact on ticket sales was one of the concerns. I presume that, with an event that was guaranteed to go ahead in 2016 and 2017, the ticket sales could have been managed more appropriately.

The event is sponsored by Tennent's, which I think would have had some concerns about an existential threat to the event or about its moving to a single stage on a single day. Therefore, I presume that it could have been approached about its support for the event.

What consideration was given to those two factors? The ticket sales for 2016 and 2017 could not necessarily have been assumed to be depressed because of the uncertainties around the 2015 event.

Fiona Hyslop: There are a lot of hypotheticals in that question.

Liam McArthur: Why would the event in 2016 and 2017 not achieve the ticket sales that were achieved in 2013 and 2014?

Fiona Hyslop: Ticket sales depend on a number of things, not least the line-up and the experience. For those of us who are old enough to—

Liam McArthur: You are not going to intervene on the basis of a line-up not being very good and therefore needing the Scottish Government to step in.

Fiona Hyslop: I am sorry, but can I answer the question, convener?

The Convener: I am sorry, but we are trying to get quick questions and quick answers. Let the cabinet secretary finish; I will then bring Liam McArthur back in.

Fiona Hyslop: We do not know what will happen in future years. RockNess, for example, has been under pressure and has not been taking place.

Festivals can depend on things year to year. As a Government minister, I cannot forecast T in the Park's ticket sales in 2016 or 2017, but it is reasonable to assume that, in the first year of the move, some people may not have gone because they were concerned about teething problems. There were undoubtedly transport teething problems. That is one of the key concerns that people have had. I cannot predict what ticket sales will be, but I understand why there were pressures this time round. If people did not know whether the event would take place because of the planning approval for it—a decision was not taken until eight weeks before the festival—we can understand why ticket sales were slow this year. That had an impact on what returns would be achieved. There was not only a significant increase in costs; there was pressure from reduced returns in 2015 in particular.

10:45

Liam McArthur: The money was paid after the event, but let us leave that for now.

The timeline that you provided to the committee suggests that, on 27 February,

"On behalf of the CEO of DF Concerts ... T in the Park Project Manager (Jennifer Dempsie) first contacted the private office of the Cabinet Secretary ... requesting that

the Cabinet Secretary consider meeting with the CEO of DF Concerts so that she could be briefed on the plans for T in the Park at its new venue."

I find it incredible that officials would not know who Jennifer Dempsie was despite the lapse of time.

The timeline goes on to say that the request was followed up on 9 March and meetings did not take place on 23 April and 28 April. There was further contact through May and then a meeting finally took place on 28 May, which is three months after the first approach. We are told that the process was conducted with a sense of urgency, but there did not seem to be any direction from your private office to speak to officials in the major events team so that they could engage in the process and speak to colleagues in the state-aid unit to find out what was and was not supportable under the current rules.

That process got under way only in June, at which point Mr Coleman, in one of the unredacted bits of correspondence that we have received, suggests:

"Article 53 (5)(c) sets out the following as eligible:

... costs of digitisation and the use of new technologies"

and the

"costs of improving accessibility".

All that time was wasted exploring options for support for the operation simply because officials had not directed DF Concerts to go and speak to the officials who would be able to answer their questions. It all hung on a meeting with you on 28 May.

Fiona Hyslop: I will answer that directly. During March and April and into May, the issue was that the event did not even have planning permission. It was not given planning permission until 12 May and one of the pressures on cost was that the permission that was given was limited to three years, which also pressed the costs into three years rather than five. It was only at that time that the meeting that was requested became about funding issues.

Liam McArthur: You were happy to have the meeting in March and April but it got cancelled.

Fiona Hyslop: That was purely about the fact that T in the Park was a major event and was moving. It was not about funding. It was to keep us in touch. We kept a watching brief on a major festival that was moving from Balado, having been there for many years. It was clearly of significance and there were pressures. As I am sure people identified from the news coverage, the nesting ospreys were a key part of the environmental aspects of whether the event would go ahead.

The meeting that I had with DF Concerts took place after the planning decision had been taken. I made it clear that, until the planning decision was taken, I would not be involved in Perth and Kinross Council's decision-making process. The costs became clear when a three-year condition was set. The environmental aspects, which reduced the festival's footprint because of the nesting ospreys, were not clear until the decisions on planning conditions were made, which was not until 12 May.

Liam McArthur: Was it is not considered prudent to direct DF Concerts towards officials who could have had those conversations?

Fiona Hyslop: The funding pressures were not apparent in March and April. They were apparent after the planning conditions were set on 12 May.

Liam McArthur: However, DF Concerts had been requesting the meeting since the end of February.

The Convener: Final question, Liam.

Liam McArthur: Well, I will ask my final question because I will not necessarily get an answer to that one.

Section 6 of the document with the tracked changes, to which Liz Smith referred, refers to publicity. The initial proposal was:

"The Grantee shall where reasonably practicable (and with the advance agreement of the Scottish Government) acknowledge in all publicity material relating to the Project the contribution of Scottish Ministers to its costs."

That has been changed to:

"Ministers may require to approve the form of acknowledgement of Scottish Government support for the Project in the Project's publicity material prior to its first publication."

Does that suggest that there was a reticence about acknowledging the Scottish Government's involvement in supporting the event? It certainly looks like it has been toned down considerably from what was initially proposed.

Fiona Hyslop: You need to repeat it to me. It sounds fairly similar, but I am happy to look at it. I do not think that there would be any reticence. In fact, if you go to any event that has any Scottish Government funding, you will see the logo.

Liam McArthur: Well, exactly. The trademark is that, whenever there is any Scottish Government involvement, it is blazoned all over the place, whereas the document suggests that, if there is to be any acknowledgement, the Scottish Government wants prior approval of whatever goes out as opposed to demanding that, in all publicity, accreditation is given to the Scottish Government for supporting the event.

Fiona Hyslop: I am genuinely struggling to see the issue here.

Liam McArthur: We are all struggling a bit.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I am looking at the timeline of events, which is on page 3 of paper 1. The entry for 14 May uses quite a strong phrase. It refers to:

"the extreme difficulties being faced by the organisers."

Were those difficulties purely financial?

Fiona Hyslop: No, a lot of that was operational. As I said, planning permission had been given eight weeks before the event, so there were issues. The most important of those was probably to do with the infrastructure required. Some of the planning conditions would have required dealing with the heights of bridges and other safety issues; I have also mentioned water access.

A lot of the decisions could be taken only once the planning application had been approved. Therefore, the pressures were not just financial but operational. Those genuinely related to putting on what is the biggest music festival in Scotland, which had been given the go-ahead only eight weeks before the event. The organisers relayed their concerns to me when I met them but, in terms of our concentration of attention, it was the funding of financial pressures that they clearly wanted to talk to us about.

Colin Beattie: Reference has been made to the additional infrastructure costs accruing in the move from one site to another and the contraction of the period from five to three years during which the organisers could recover those costs. I have no experience of such events. In relation to what happens on site, what would those infrastructure costs be?

Fiona Hyslop: It was, I suppose, a decision about whether to have permanent or temporary provision. Temporary provision would mean that the organisers could up sticks at any time, while investing in permanent equipment would mean that they would be more committed to the site. I think that was the type of decision that they were telling us that they had to take within eight weeks of the event taking place.

Colin Beattie: You have made it very clear that the period in which the decisions were being made was contracted. Normally such events would be planned very much in advance. Indeed, I see that a lot of planning took place well in advance of the event. However, most of the financial planning and so on would have taken place a year or more before the event. I would have thought that the only thing that would have intervened would be the unanticipated planning costs. Did the planning costs trigger the financial difficulties, or was there

a previous indication of a problem in the detailed planning?

Fiona Hyslop: You will remember that the organisers were told early on—I think that it was in early 2014—that they would not require the planning permissions that were later imposed on them. It was not until summer 2014 that, as a result of a Government assessment, they were told that they would have to have an environmental impact assessment as part of the procedure. They then had to go to the full planning process at the beginning of the year in which they were meant to be delivering the event. Obviously, the environmental aspects of planning in particular, as well as other planning issues, would have put considerable pressure on the costs, given that they were unanticipated costs. The planning consultant costs that they had to face for 2015 were not anticipated a year and a half out from the issues that they knew that they had to address.

Clearly, there were particular pressures over a very short time. The organisers did not know about a lot of the final conditions of planning—and environmental conditions are important—until 12 May for an event that was taking place at the beginning of July.

The Convener: A number of members want to ask questions, so we will have to be brief, with a question and supplementary each. We start with John Pentland.

John Pentland: Thank you, convener.

On the process for awarding the grant, my understanding is that the T in the Park organisers asked to meet you, you agreed a figure of £150,000, and a formal request was made for that amount. How does that sit with other organisations that have received funding, including Edinburgh's hogmanay, the John Muir festival, the world pipe band championship, Celtic Connections and the Edinburgh International Book Festival? Which of those organisations, and any others that have received state aid, applied after meeting you, cabinet secretary?

Fiona Hyslop: Some of the funding for those festivals would not be classified as state aid. Perhaps I can ask Alan Coleman to talk about the process that is required for state aid, if that would be helpful.

John Pentland: No, I do not want an explanation of state aid. I want to get to the point about when people meet you. My question to you is: how many people have you met before an application is made by the organisations that I have mentioned?

Fiona Hyslop: Right. Many applications are made to organisations such as VisitScotland,

Creative Scotland or EventScotland, in different areas. You want me to go through who I have met in relation to those events; I regularly meet festival directors. For example, the Edinburgh festivals expo fund is not £150,000 over three years but £2.25 million on a yearly basis, to support the Edinburgh festivals because of their £250 million impact on the Scottish economy. I regularly meet the directors, who provide information about what they want to apply for in relation to the expo fund.

I charge the curatorial decision making with thundering hooves, which is the collective of the festivals, on what would or would not merit funding for the book festival or anything else. My officials would work with the collective, and I would see what it wanted to provide funding for. For example, the Edinburgh International Festival's James plays, which were extremely successful, was a case that I was aware of way before it was announced or an application made, but I do not judge how people spend their resource on those terms.

Festivals are very important to Scotland's economy. I want to repeat that. I do not think that festivals, the creative industries and cultural tourism are somehow second class in their economic impact, compared with life sciences, energy and other areas. It is really important that members of this committee support that.

I might add something about what the public think of the issue. I have had two pieces of correspondence—two pieces—from across Scotland with concerns about the funding of T in the Park. I am not saying that the issue is not of public interest; the committee is absolutely entitled to have information and we need to be open and transparent.

Despite the question that Liz Smith asked at the end of July or beginning of August being very limited in its scope, I set out comprehensively on 14 August the background to the decision, why we had made it and a timeline of information. I wanted to be open and transparent, given that what happened was in a different format from normal—you are right to say that—as a result of unanticipated costs and pressures on a major event, which were not known until the planning decision was made on 12 May.

John Pentland: When you meet organisations, do you then formally agree what amount of grant is going in?

Fiona Hyslop: Do I then tell them—sorry?

John Pentland: Do you agree the grant before a formal application is made?

Fiona Hyslop: In terms of planned expenditure for festivals, I would not see, for example, the application in relation to the world pipe band

championships—that would go to EventScotland. Perhaps Malcolm Pentland can explain what happens in that regard.

Malcolm Pentland (Scottish Government): EventScotland runs a number of programmes, each of which has criteria, and typically we would route people through EventScotland to apply for funding. In the case that we are talking about, the budgets of EventScotland—which is a directorate of VisitScotland—were already fully committed and, as the cabinet secretary said, the event did not meet some of the criteria in terms of new events or the marketing of events.

The Convener: Thank you. We will move on to Mary Scanlon—

John Pentland: I am not finished.

The Convener: I am sorry, John, but I did tell you.

Mary Scanlon: Cabinet secretary, in answer to George Adam and Gordon MacDonald, you said that you did not know that the request had come from Jennifer Dempsie. I do not have the 628-page document in front of me, but a quick glance shows a list of emails to your office. An email of 27 February refers to a discussion on the phone with your office. There are emails on 9 March and 24 March, and then on 14 April there is an email that says:

“Hi ... We actually caught up with Fiona at SNP conference”.

Between February and your decision on 14 August, when did you know that the application was from Jennifer Dempsie?

If there were seven weeks in which it was critical to give DF Concerts the money, why did it take six months to apply for planning permission? The company was told on 21 August 2014 that it would need planning permission, but it submitted a planning application in January 2015. The time lag is not the taxpayer's fault. The time lag and the extreme problems and difficulties are the fault of DF Concerts. When did you know that the request came from Jennifer Dempsie?

Fiona Hyslop: I did not, because my business is based—

Mary Scanlon: The emails are all to your office.

Fiona Hyslop: Well, I do not read everything. The applications and phone calls were made to my office, but I did not see them. I thought that I had been quite clear—

Mary Scanlon: Does your office not tell you what it does?

The Convener: Let the cabinet secretary answer, Mary.

11:00

Fiona Hyslop: I have been quite clear. I do not decide who DF Concerts employs or does not employ. Jennifer Dempsie was an employee of DF Concerts; she has not worked for the Scottish Government for six years. I do not expect everybody in the Scottish Government—the thousands of civil servants that we have—to know who she is or to alert me. I do not think that people should have to show a party card in working for an employer—that situation would be incorrect.

With regard to the decision-making process, I met Geoff Ellis and the financial director Jo Blyth. It was those two who I spoke to and who expressed the concerns about the conditions that they faced, the increased unanticipated cost and the pressures on revenue. It was in answer to them, and to their request, that I asked officials to look at what had happened.

Officials also attended the meeting with Geoff Ellis and Jo Blyth and heard directly from them. We asked them for various bits of information—I have set out in the timeline when we did so. We asked them for financial information, which we received, but under commercial confidentiality rules I cannot share that publicly. That is part of the everyday work that Government does.

Was this an unusual situation? Yes, it was unusual, and it was a pressured situation. That is why I have made it quite clear and transparent in my written answer of 14 August why we did what we did. I believe that it is important for the interests of Scotland that we have a continuing T in the Park that is a multistage, multiday event and that benefits rural Scotland and not just city Scotland. I am pleased to be able to have done that.

Mary Scanlon: We are all in favour of T in the Park, but you said to Gordon MacDonald that you did not know that the request came from Jennifer Dempsie. We have in front of us emails from Jennifer Dempsie to the cabinet secretary from as early as February—I would probably find that the emails go even further back, if I had time to go through the 628 pages.

Fiona Hyslop: I did not see those emails.

Mary Scanlon: Pardon?

Fiona Hyslop: I personally did not see those emails. I personally did not discuss them with—

Mary Scanlon: Did your office not tell you, within a couple of days of receiving four or five emails, about the phone calls, emails and requests for meetings?

Fiona Hyslop: I was told by my office that Geoff Ellis, the chief executive of DF Concerts, wanted to meet with me.

Chic Brodie: I have a brief supplementary, following on from my previous question. Would all the hysteria around the situation not have been avoided if we had used the bodies that are there, such as Creative Scotland and VisitScotland? Would that not have been better, rather than having someone approach you directly, no matter how well they knew you or did not know you? Can we look at that so that we avoid such a situation in future?

Fiona Hyslop: I will answer that and then ask Malcolm Pentland to come in.

If a request was anticipated, we would be able to use other bodies to respond. However, in this case, we had the funding available in the major events budget because of the change in the circumstances of the MOBO awards, which released funding.

We had the legal powers to act and we wanted to move swiftly, as we had a very limited period of time. It would have taken much longer if people had had to apply through the regular funding routes of Creative Scotland or EventScotland. As I have said, the funding that EventScotland provides would not necessarily have been applicable in the timeframe.

Chic Brodie: With all due respect, I understand that those routes would take longer, but it would depend on how the situation was managed. There was nothing stopping the movement of a budget—I still do not understand why there is a separate budget—to augment overnight the budget of Creative Scotland, if that route was taken, while saying, “Right—you handle it.”

From a management point of view, that would have avoided all the hysterics around your office getting sucked into the situation, and the questions of who did what and who did not do what. Might I humbly suggest that such an approach is taken in future?

Fiona Hyslop: Sometimes in Government we have to make decisions swiftly to ensure that the economic interests of the country are protected, which is what I did.

With regard to the ability to channel the money through other funding routes, I know what would have happened. I would have been in front of the committee again, because the event would not be taking place in 2016 and 2017. I think that the committee would have had a strong interest in wanting to bring me before it if the event had not been taking place in those years.

If we had transferred the funding from the major events budget to Creative Scotland, there would still have been a state-aid issue, because it would have come from a public funding source. That would have meant that, in terms of what DF

Concerts would have been allowed to spend the funding on, and in terms of what Creative Scotland or indeed EventScotland would normally provide funding for, the approach would not necessarily have covered the eligibility of costs that would have been compliant with state-aid rules. Therefore, actually, in terms of transparency and clarity and ensuring compliance with state-aid rules, the route that we took was appropriate—indeed, it has been deemed to be appropriate by those who have looked at the issue.

Malcolm Pentland: The cabinet secretary’s major events and themed years budget is typically used for things that are slightly out of the ordinary. In this instance, EventScotland might have been a route—you are absolutely right that we could have looked to increase its budget, Mr Brodie, as its funds were all committed.

Beyond that, however, the criteria for EventScotland funds are that the event should be new or developing, or that the funding should be used for the marketing or promotion of the event, which in this case it was not.

Mark Griffin: Cabinet secretary, when and where did you first meet with representatives of DF Concerts to discuss the issues around T in the Park, and who attended?

Fiona Hyslop: In terms of discussions, I met them at the SNP conference, which was not prearranged. That was just about them telling me about their planning process. I could not engage with that discussion, because the issue was clearly still subject to planning discussions. That was a very brief meeting back in March.

As detailed, I met the representatives on 28 May, after their request to discuss funding. Attendees at that meeting were Geoff Ellis, Jo Blyth, Malcolm Pentland and an official from planning. I will just check whether anyone else was at the meeting. [*Interruption.*] I am told that it was Helen Wood from planning who attended, along with Malcolm.

Mark Griffin: What was the date of that initial meeting at the SNP conference and who attended it?

Fiona Hyslop: It was not a meeting—it was not prearranged. There were many people, companies and organisations there as observers. Our party had just gone from having tens of thousands of members to more than 100,000 members. One in 50 of the public is now a member of our party, and people wanted to see what was happening.

I was very clear that I could not enter into discussions about planning. That was all it was—it was not about funding—and I could not enter into discussions. I was told about the environmental work that was going on in relation to the osprey

nesting, which was obviously causing the organisers some concern, although they felt that they had it all in hand in terms of their planning application. It was a very short meeting and it was not prearranged, and it was in party space, not Government space.

Mark Griffin: The FOI responses that were released last night say that an official meeting was arranged to discuss issues around T in the Park but that was then cancelled because you had met at the SNP conference. It would seem that the meeting at the SNP conference was more substantive, since a subsequent official Government meeting was cancelled.

Fiona Hyslop: Some of the Government meetings were cancelled because there were concerns around the planning and the timing. If you recall, the planning decision by Perth and Kinross Council was meant to be made on a certain date and was then put back. I am not responsible for the timing of that. Meetings with ministers have to be arranged. Because of my responsibilities, I quite often have to cover for the First Minister or the Deputy First Minister. I cannot recall why the meetings were cancelled and at whose request.

I remember that DF Concerts wanted to cancel because it wanted to concentrate on the planning issues at hand, with Perth and Kinross Council. That was the key issue. You should remember that, at that point, it was not clear whether planning permission would be given. DF Concerts was clearly focused on securing a favourable planning decision, and that is what it concentrated its resources on. I am not accountable for how it manages its diaries, but I can understand that it wanted to focus on meetings in relation to the immediate planning decision rather than the overall transition, which was of interest, in discussion with me.

Mark Griffin: The FOI responses suggest that the meeting was cancelled at the request of Jennifer Dempsie, after meeting with you at the SNP conference.

Do you understand the public concern? A former SNP Government adviser meets you at the SNP conference, makes a request for funding based around infrastructure and then gets awarded £150,000 in a totally different area of spending. Can you not understand the public outcry and the whiff of cronyism that comes off this whole affair?

Fiona Hyslop: In terms of the individual, she worked for the Government over six years ago. In terms of her status, she is an employee of DF Concerts. It is up to DF Concerts who it employs as staff members of its organisation. I cannot

refuse to work with an organisation because of who it employs or who it does not employ.

In relation to why I should meet someone, should I have met DF Concerts? Absolutely—because it is a major events company. It was in a major transition year—a very pressured year—for the biggest music event that we have in Scotland. Being kept in touch and up to date with the process of that as the lead minister for major events was absolutely part of my responsibilities. The application was made by DF Concerts itself.

As far as public outcry is concerned, I understand the need for openness and transparency, which is why, despite the question that I had from Liz Smith in August being simply about how much and when, I proactively laid out in a full parliamentary answer full information about what happened and when. I raised at that point issues around viability. In terms of the public outcry, as I said I have had two letters from members of the public about the funding issues. The other letters—I think that there are another three—are understandably about the event management, the pressures and the problems that there were at the actual event.

I absolutely understand that people can be concerned—they are quite right to be—but I also know absolutely that, if T in the Park had been under pressure and had not delivered properly in 2015 or had indeed moved in 2016 or 2017, people would have demanded to know what we as a Government had done to ensure that T in the Park stayed as a multistage, multiday venue in rural Scotland. I think that they would have been entitled to ask that question. Sometimes we have to make decisions that some people might not like but are important for the greater cultural and economic interests of Scotland, and that is the decision that I took.

Liz Smith: Just on that theme, I want to pick you up on the fact that T in the Park is a major and very important cultural event. This was public money. If you were clear that there was a cast-iron business case for that £150,000, why, when other questions were being asked and when this fuss really blew up two months ago, did you decide not to put that business case into the public domain, and why now do we have redacted comments, which make it almost impossible to know what that cast-iron business case was?

Fiona Hyslop: The concerns were the additional and significant costs in relation to the planning issues and planning decisions of 12 May. In the answer that I provided, I made it quite clear that the money was in relation to the added pressures, that it was a one-off grant, that it was to support the transition and that it was about ensuring that we were supporting tourism. The

pressure and the risk were laid out in paragraph 8 and paragraph 11 of the answer of 14 August.

Would I like to be able to provide the commercial “in confidence” figures that were given to me? Of course I would, but that is not how Government works—not with this company and not with others. Companies will not come to us when they are at risk if they think that we are about to publish the pressures that they face in terms of their budgeting. You have to understand that it happens in other areas of industry—people understand that quite readily—where jobs and economic interests are set out. People just sometimes find it difficult to understand cultural festivals and tourism as economic businesses.

I would have liked to provide the information to the committee: I could not, but I can give you the assurance that officials looked at the business case very robustly. We ensured that it was compliant with state-aid rules and we had the senior accountable officer sign off the final grant when it was provided. I have given you as much assurance as I can give. It might not satisfy you, because you want to see the commercial information, but I cannot provide you with it. I would not be able to provide such information in respect of other companies, whether in life sciences or other areas.

Liz Smith: I think that you will find, in your advice to Geoff Ellis in the letter that was written to him in July 2015, under paragraph 5.2, that you might actually be forced to put it all on record, because it says there very clearly that the Scottish Government may, through provision of freedom of information material, have to come clean, given that the grant was public money.

Fiona Hyslop: Yes—and that is what we have done.

11:15

John Pentland: I am sure that you will agree that suspicion will linger as long as evidence is hidden.

Did any civil servants question the deal?

Fiona Hyslop: I will ask my colleagues to answer you as well, because they were part of this. We questioned what would be eligible, because Glasgow City Council had already provided £200,000 over a three-year period. The council has asked that, should that information be shared with the committee, it should be made clear that the funding that was provided by the council was a commercial arrangement between the council and DF Concerts to establish the summer seasons on a level commercial footing so that, in future years, they would generate money

for the city. That is a transition situation that is similar to what we have been discussing.

One of the issues was what we could provide, because we could not provide de minimis aid or investment aid, but we could provide operational state aid.

Perhaps Malcolm Pentland or Alan Coleman could come in on this point.

Malcolm Pentland: On the advice that we provided to the cabinet secretary, we first confirmed that funding would be available and was affordable within her budget. Having had the Scottish Government’s finance directorate examine the company’s accounts, we confirmed that the company was profitable, but we also confirmed that the projected costs for the event showed significant increasing costs and a significant reduction in revenues.

We were concerned about state aid. In our initial advice, we confirmed—as the cabinet secretary has outlined—that investment aid for infrastructure costs and de minimis aid were not appropriate means of providing support. We also confirmed that we were looking to see whether there was any other kind of support that we could provide the company with in relation to staging the event.

Alan Coleman (Scottish Government): The core of our work in the state-aid unit is to question robustly everything that comes our way in order to ensure that it fits with the European Commission’s guidelines. That is what we did.

John Pentland: In the papers that were released under the freedom of information request, an official says:

“T in the Park is a profitable commercial festival and as such under normal circumstances there is limited scope for public financial support.”

Could you comment on that?

Fiona Hyslop: As you have just heard, we knew that the company was profitable. The issue was the event, not the company. Unusual pressures were involved in the circumstances of the event—for example, the fact that it was moving for the first time for decades and faced additional pressures in terms of that transition, and the fact that there was an unanticipated cost relating to planning conditions, which became apparent only on 12 May. The circumstances were not normal.

Liam McArthur: I read with interest the email from the accountable officer, which was one of the few that was not redacted at all. The situation seems to have been unusual—it was not standard practice and suggests, as John Pentland indicated, that there must have been some level of disquiet among officials.

You set out the fact that you had the powers, the budget and an interest in ensuring that the festival took place not only this year but in future years, and would not be downgraded to a single-day, single-stage event. Similarly, Tennent's, as the sole sponsor, would have had an interest in ensuring that the festival remained a multistage, multiday event.

In what Malcolm Pentland just outlined about the due process of considering the accounts, profitability and additional pressures, there was no mention of any attempt to ascertain the willingness of the sponsor to step in and provide additional support through the transition. The fact that the Government has the powers and the budget to support the festival and an interest in doing so should not necessarily mean that the public should step in to provide funding that the lead sponsor, Tennent's—an exceptionally profitable company—could reasonably be expected to provide in order to maintain an event from which it has received enormous benefit and publicity over the years. What efforts were made in that regard?

Fiona Hyslop: That is a matter for DF Concerts and Tennent's, in terms of their relationship—

Liam McArthur: No—it must be a matter for the Scottish Government. If you are going to go through a process of investing £150,000 to ease the pressures, you would, I presume, have to satisfy yourself that all the options have been exhausted, including the option of asking Tennent's to put up a bit more money to ease the transition period.

Fiona Hyslop: Clearly, £150,000 did not come anywhere near to alleviating the other pressures in relation to infrastructure and other aspects that we could not fund. DF Concerts will have had discussions with Tennent's about costs that it had to meet. The seven-figure sum that was required for the transition will have had to have been met from all the sources that are available. The £150,000 from the Scottish Government is conditional on the festival taking place in 2015, 2016 and 2017. That was what the clawback provision is about.

Liam McArthur: I appreciate that the money is tied and that there is a clawback provision and so on. However, I presume that that would make money from Tennent's a good deal more appealing.

Before any funds were committed by the Scottish Government, Scottish ministers had a responsibility to satisfy themselves that all other options had been fully exhausted and to consider why Tennent's was not prepared to plug the gap.

Fiona Hyslop: DF Concerts provided us with its projected costs and its projected revenue from sponsorship, ticket sales and so on. That is the

information that was also provided to the committee.

Liam McArthur: As you said, you cannot influence ticket sales, because they are dependent on other factors. We hope that in 2016 and 2017 they will return to previous levels.

Fiona Hyslop: I am glad that you now realise that I cannot influence ticket sales.

Liam McArthur: You cannot, but your expectation would be that, in 2006 in 2017, when all the other factors—the planning requirements, the environmental impact aspects and so on—have been resolved, ticket sales will recover. However, I think that there is a reasonable expectation that the Scottish Government would explore whether sponsorship could be temporarily increased to plug a gap that had been identified. The fact that you have the powers in the budget to commit public funds, and an interest in doing so, does not mean that you should be committing public funds before you have satisfied yourself about that issue.

Fiona Hyslop: At the end of the day, you have to decide whether you think that T in the Park contributes to the Scottish economy—as members of all parties said it did when we had a parliamentary debate on festivals that provide cultural tourism, particularly in rural areas, and which also allow opportunities for cultural celebration. Supporting such an event is not an unreasonable thing to do.

John Pentland asked whether we were operating in normal circumstances. No, we were not. Did we act in the interests of the Scottish people, whom we are elected to represent? Yes, we did. Did we interfere with the relationships that DF Concerts has with its other sources of funding? No, we did not. However, we had a clear responsibility to act. We could have said that we would not act. I think that some members of the committee might have wanted us to say that, because of the unpopularity in some parts of Perthshire about the idea of T in the Park relocating there. However, for many people in Scotland, over generations, T in the Park is important to them in terms of culture and the economy.

Sometimes, in Government, we have to make decisions within tight timescales. However, the request was legal and could be provided for because it was within budget and complied with state-aid rules, and I was prepared to make that decision. Some people might not have wanted me to do that; they are entitled to their view, but sometimes you have to assess risk and, as a set out in my answer to Liz Smith's parliamentary question on 14 August, there was a risk to the viability of a multiday, multistage festival being

held in rural Perthshire. I decided that we had to do something about that, rather than ignore it. I am sure that members of this committee would have been the first to challenge me if we had stood back and done nothing with the result that, in future years, T in the Park would not be as we know it today.

The Convener: I thank the cabinet secretary and her officials for their attendance. We will have a short suspension.

11:23

Meeting suspended.

11:27

On resuming—

Scottish Further and Higher Education Funding Council

The Convener: Our next item is an evidence session on the Scottish Further and Higher Education Funding Council, continuing our work on examining the spending decisions made and outcomes delivered by some of the key public bodies within our remit. I welcome Laurence Howells, Professor Alice Brown and Dr John Kemp, all from the Scottish funding council. I believe that Professor Paul Hagan is also on his way. Is that correct?

Professor Alice Brown (Scottish Further and Higher Education Funding Council): Yes, indeed.

The Convener: He will join us shortly.

Professor Brown has some opening remarks.

Professor Brown: I apologise for Professor Paul Hagan's late arrival. He has been on a train from Glasgow since before 7 o'clock this morning, so that is a bit of a challenge.

We very much welcome the opportunity to meet the committee this morning. Members will be relieved to know that I will not repeat the content of our submission, but I do want to make a few brief comments.

I draw the committee's attention to my introductory remarks on the first two pages of our submission, where we provide some examples of how, working with our partners, we have added value in different ways, whether in widening access, skills development, the development of innovation centres or growing research excellence in Scotland.

I want to step back for a moment and look at the establishment of the funding council. When I became chair of the council, I was told that there was a book in the cupboard that provided a history of university funding. As you can imagine, it was not exactly a bestseller or a riveting read, but it points out that the funding council and its counterparts in England, Wales and Northern Ireland can trace their roots right back to 1914, when the objective of the state was to provide sustainable funding for universities in recognition of the fact that they needed to be supported given the consequences of the first world war.

In more recent times, members will be aware that the current Scottish funding council is a result of a merger of the former Scottish Further Education Funding Council and the Scottish

Higher Education Funding Council in 2005. Our function is to secure the coherent provision of high-quality further and higher education and research, and we have a duty to ensure that provision is made for assessing and enhancing the quality of funded post-16 education.

11:30

The funding council's decisions support the delivery of the Scottish Government's national performance framework and its economic strategy. The Scottish Government sets national priorities and issues guidance to the funding council based on its priorities and policies. It is for the funding council to implement such guidance and we do so following discussion with our key stakeholders.

It is worth saying a couple of words about who our stakeholders are, because they are quite extensive. In the sectors that we cover—specifically, colleges and universities—our key stakeholders include staff, trade unions, students, through the National Union of Students and Student Partnerships in Quality Scotland, or SPARQS, and representative bodies such as Colleges Scotland and Universities Scotland, as well as the broader education system as a whole. The Scottish Government and Parliament are also stakeholders, as is local government, and indeed the United Kingdom Government, particularly the Department for Business, Innovation and Skills. There are also other non-departmental public bodies and public agencies, such as Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, Creative Scotland and so on with whom we also work extensively.

Funding bodies in other parts of the UK, which are observers at our board meetings, are also key stakeholders, because we have to be aware of developments elsewhere, and there are also other relevant organisations such as learned academies, research councils, research charities, the European Commission and professional bodies. There is a whole range of stakeholders, and we try to work with them all to ensure the delivery of high-quality education and world-leading research. Examples of extreme collaboration are evident in our submission to the committee.

Change has not ended there. As members will be aware, our role developed with the introduction in 2012 of outcome agreements, with college regionalisation and Office for National Statistics classification. With more focus on outcomes such as widening access or having internationally competitive research, much more engagement and negotiation with individual institutions are involved. The significant enhancement of activity to promote the exploitation of research for economic and societal benefits, for example

through our innovation centres, has been another change.

As a result, outcome agreements provide an explicit link between public investment and delivery on Scottish Government priority areas, but they also facilitate a relationship of engagement between us and our stakeholders that promotes dialogue and enhanced mutual understanding of the issues, so that when we engage with individual universities or colleges we have the opportunity to learn at first hand about the pressures that they face and about their ambitions and aspirations.

All of that has meant significant organisational change for the funding council itself and a change in the role of staff within the organisation, and that reform is on-going. We have a new strategic plan for 2015-18. Our previous strategic plan outlined the changes to be made, and the new one focuses on embedding those changes and realising their full potential. We are also implementing the Scottish Government's three-step improvement framework for Scotland's public services, all of which means on-going organisational change for us.

Our vision in that plan is to make Scotland the best place in the world to learn, to educate, to research and to innovate, and we see our task as being to care for and develop the whole system of colleges and universities and their connections and contribution to Scotland's educational, social, cultural and economic life. We cannot do that alone, and that is why partnership working is central to our efforts and why there needs to be much greater collaboration from all parties concerned. The theme of our strategic plan is ambition, and we will be building on the strong foundations that currently exist.

I shall now pass over to my colleagues, Laurence Howells, Paul Hagan—who, thankfully, has now arrived—and John Kemp. We would be delighted to answer your questions.

The Convener: Thank you, Professor Brown. I welcome Professor Hagan, not just to the Parliament but to Edinburgh. I believe that you have had a bit of a journey this morning, but I am glad that you have made it.

I take the opportunity to apologise for the delay in our getting round to all of you. I think that we had said that you would appear slightly earlier, so thank you for waiting. The first question is from George Adam.

George Adam: Good morning. I would like to ask about outcome agreements, which Alice Brown mentioned. Universities are explaining how they deliver national priorities and, with outcome agreements, there is more focus on outcomes. Are we doing enough to widen access through the outcome agreement process?

Laurence Howells (Scottish Further and Higher Education Funding Council): The outcome agreement process is one of discussion and debate between us and the universities. The beauty of the outcome agreement approach is that we can tailor things to different institutions. There is always more that we can do. It is clear that the sector is making progress on widening access but more needs to be done. As you know, there is currently a commission on widening access, which will give new impetus to that. There has been significant progress on improving access, which has been steady and slow. More needs to be done.

There has been really good progress on the relationship between different parts of the education system, not just between colleges and universities but between schools and universities. My colleague John Kemp can give a little bit more detail on that.

Dr John Kemp (Scottish Further and Higher Education Funding Council): George Adam asked whether enough was being done. As Laurence has said, there has been progress on widening access over the past decade, since we published "Learning for All", which was a widening access strategy. Progress has been fairly slow and steady in some areas but more recently, in the past few years, progress on widening access to people from the most deprived areas has speeded up slightly, since the outcome agreements came in.

There has been more significant progress in areas such as articulation, with the number of people articulating—that is, entering university with a higher national qualification—having doubled in recent years.

On the question of whether that is enough, the First Minister has set out an aspiration—which she has tasked the commission on widening access with looking at—that by the time a child born last November can enter university, they will have an equal chance of entry regardless of which deprivation quintile they come from. That is quite a substantial change, so quite a lot will need to be done over the remaining 17 and a half years to reach that deadline. We are working with the commission on widening access on ways in which that can be done.

George Adam: We hear regularly that certain universities are doing a lot better than others. Is there an explanation for that? It seems to be easier for people from certain backgrounds to access the more modern universities and institutions.

Dr Kemp: All our universities are different and they all face different challenges in widening access. Some universities take in a significant

number of their students through articulation—sometimes one in five of their students come in through that route—which makes it easier to widen access, because among HE students in colleges those from the more deprived quintiles are slightly overrepresented. Articulation is a big reason for some universities having different figures from others.

Some universities also have higher demand for particular courses, which makes it more difficult to widen access. They have a lot of students with five As in their highers who all want to study medicine, for example. It is more challenging to widen access in such areas.

We have a range of support for widening access in universities, partly aimed at getting articulation to work well, partly aimed at improving retention for access students, and partly aimed at working with schools to help prepare people so that they can compete for courses where demand is extremely high.

George Adam: I have one final question. Universities Scotland said that outcome agreements are focused on the council's relationship with individual institutions, with a

"risk that they are inadequate to address shared strategic opportunities".

What did Universities Scotland mean by that?

Laurence Howells: I cannot speculate on what Universities Scotland meant by that but from my perspective I think that it is about the balance between an individual set of relationships and our systems across the system as a whole. Outcome agreements undoubtedly focus more on individual institutions and their contribution but they also recognise the fact that each institution is individual in its locality and in the service that it provides.

It is important to get the balance right between what individual institutions do and contribute and how we can work in partnership, possibly across institutions. For example, all our activities in research pooling and innovation centres are partnerships across multiple groups of institutions, and we try to get those strategic things right.

I think that what Universities Scotland is referring to is whether we have got the balance of those two things absolutely right. The balance needs to change over time, depending on the issues of the day. My view is that we have got the balance right and that there needed to be a shift away from uniform national policies to policies that were more focused on individual institutions.

Professor Brown: Laurence Howells's point is about how we balance the diversity, which is important. One of the strengths of the Scottish system is in ensuring that there is a strategic approach to which all are signed up. Among the

many examples of that approach is what is done on widening access. For example, under the “Learning for All” strategy to which John Kemp referred, we hold an annual conference for principals of all the universities—we are planning the next one now—which I think is a valuable way of bringing them together to share some of their direct experiences and to think more strategically as a collective, recognising the different pressures that individual institutions in their different parts of Scotland are under and considering how they can respond to those.

George Adam: Does that type of strategic joint working help with the widening access agenda? As I said earlier, some institutions seem to be taking up more of the slack than others.

Professor Brown: Absolutely. There are representatives from different universities on the commission and we have an access and inclusion committee in the funding council, which is an excellent committee that is very up to date and at the forefront of some strategic discussions on widening access. So, we play our part in different ways but very much in partnership with the various principals.

I stress that in addition to outcome agreement meetings, the board and executive members get the opportunity to visit all our universities and colleges—I know that the committee is going to look at colleges another day—and have strategic dialogue meetings. Again, that is an opportunity for our board to be up to date and aware of developments and to have the strategic discussions that are so important when choices have to be made on how to move forward.

The Convener: Laurence Howells said twice in his first answer that more needs to be done to widen access. What specifically does the Scottish funding council have to do more of to assist with widening access?

Laurence Howells: Two things were in my mind. First, we need more of the work that we have been doing already on additional places and improving articulation between universities and colleges so that there is a clear route through. Secondly, we need to enhance, improve and develop what has been called contextualised admissions, which is where universities take a wider range of factors into account in assessing talent and ability. Those are the two priorities that we are looking for: making the system as a whole work better and thinking about how individual universities look for the most talented applicants.

Dr Kemp: A commission on widening access is sitting and will report early next year. We hope that it will give advice on what more needs to be done. We believe that more needs to be done because there continues to be a disparity between the

proportion of people from more deprived areas who go into higher education and the proportion of those from the least deprived areas who do so. That is a fairly stark disparity, but the Government aspires to address it over the next decade and a half or so, and quite a lot will need to be done.

Liz Smith: Professor Brown, you were clear in your statement that you feel that the outcome agreements from 2012 have done a lot to increase the accountability of universities for their spend of public money and you gave examples of how exactly that had happened. Is there anything else in outcome agreements that could further enhance that process?

11:45

Professor Brown: Again, I will ask my colleagues to come in, but my impression is that the outcome agreements are evolving. When they started, they were for one year only, which presented particular challenges for those who were running big organisations. They have now moved to cover a three-year period, which is much better, as it allows for a different kind of dialogue.

The outcome agreements have evolved and improved considerably since they were established, and we are always looking at ways in which we might improve them, which is where the dialogue with Universities Scotland and with individual institutions becomes important. In general, we want to be open to improving the outcome agreements, because there is a lot for both sides to gain from them.

When I was appointed as chair, one of my first actions was to meet the university principals, who wanted to ask me about outcome agreements and so on. I feel that the agreements have provided the university sector with an opportunity to demonstrate clearly to its stakeholders and to its communities more generally what the universities do. There are great stories to be told. The outcome agreements are valuable in many ways, not least in making things much more open and transparent.

Liz Smith: Universities have a huge amount of money that comes in from non-state funding sources such as research councils, the European Union, charitable foundations and philanthropy. Since 2012, have the outcome agreements improved the way in which universities are accountable for using that money?

Dr Kemp: We see the priority as being accountability for using our funding. The outcome agreement is an agreement between the university and the SFC about what our funding buys.

In addition to accountability, it is important to stress—as Alice Brown did—that the outcome

agreement is a dialogue between us and the institution. It is partly a funding agreement that defines what the university will do with our funding, but it is also about the dialogue that gets us to that position. That involves discussing the institution's priorities and how they relate to the aims that we are seeking to promote, and reaching an agreement on how we mutually fund something that takes us closer towards those things. That is the main benefit of the agreements.

Liz Smith: So you argue that the outcome agreements for your funding, which is provided by the Government, have helped the accountability process for other areas of funding, because institutions are having to look at what they do well.

Professor Paul Hagan (Scottish Further and Higher Education Funding Council): That is certainly the case. To emphasise John Kemp's point about dialogue, we are anxious in engaging with the institutions to hear their ideas on how to improve things. One example is the transitions 20/40 programme at the Royal Conservatoire of Scotland, whereby pupils who would not normally have access to the conservatoire are encouraged and supported at an earlier stage in their development; many of them are now moving on to courses at the conservatoire.

The dialogue involves a significant exchange with institutions about the new ideas that they have, what could be done differently and how we can support them to do those things.

I agree with John Kemp that accountability for SFC and Scottish Government funding is primarily the area in which we are interested, but of course institutions are significantly accountable to other bodies, too. If institutions do not discharge their responsibilities properly, the funding sources will soon dry up, so it is certainly not in their interest not to pay attention to that aspect.

Chic Brodie: I am sorry about your delayed journey, Professor Hagan—I am sure that the Minister for Transport and Islands will be asked some questions about that. [*Laughter.*]

I spent some time at Stanford University in California, and I was overwhelmed by the partnership, involvement and engagement between business and the university. One of the eight outcomes—thank goodness you refer to outcomes and not targets—in your strategic plan for 2012 to 2015 concerns “university/industry collaboration”. Given the amount of public money that is provided to universities, how much—if any—do you receive of the £441 million of income that universities generate from knowledge exchange activities? Given Scotland's poor record in creating small businesses, that knowledge transfer activity is very important. Do you go for equity participation or equity involvement, or do

you simply give universities the money and hope that something comes out at the other end?

Professor Hagan: We do not take an equity share. The priority is ensuring that businesses are supported and that research is translated for the benefit of business and industry. Our institutions are pretty good at spinning out companies and creating new companies—in fact, they are as good as those in many other countries around the world. Our investment in that space is about trying to make it even better and to smooth the interaction between business and industry. That is why we have actively engaged with Universities Scotland in the implementation and development of its five-point action plan to deliver benefits for business and industry.

What matters is that we translate the research for the benefit of the economy, which will benefit through the creation of small companies, the growth of companies and the jobs that will emerge as a result of that engagement. That is sufficient for us.

Chic Brodie: I talked to a professor who had developed a voice unit that was way ahead of its time—I will not say which university was involved. Why, when I asked what his plans were to transfer it to market, did he show a total lack of interest—it was some time ago—on the basis that all he wanted to do was go around the world presenting a paper on it?

Professor Hagan: Our universities have moved a long way from that and a much higher proportion of academic staff and researchers in them are now working towards the translation of their research. Many people go into research because they want to make a difference to the world in some way or another. Many of them are interested in pursuing an academic career. However, in recent years, our universities have moved towards the translation of research.

That is backed up by the push from the research councils, which want their investment in research to be translated for the benefit of the UK economy. The research excellence framework, which assesses research every few years, now includes an impact assessment, and the funding that flows from the funding council is influenced by success in that. That impact is beyond academic publication; it includes benefits to the economy, health, wellbeing and culture of the country.

Chic Brodie: Forgive me, Professor Hagan—that might be your view of the world, but I talk to businesspeople. There seems to be a divide between the hallowed cloisters of the universities and the aggression of creating and pursuing business.

I disavow your comment about being one of the best in the world. I was involved pretty heavily in

European business, and I know that we are not transferring knowledge from universities to market. There is no go-to-market philosophy in the universities, as far as I can see. Of course, you will correct me.

Professor Hagan: I will describe exactly where the go-to-market philosophy is engaged. I refer you to our eight innovation centres, which have been established to feed the demand from industry for research and development. Some major industries in Scotland and global industries, as well as small and medium-sized enterprises, have engaged in the development of the innovation centre programme. The thrust of that programme is demand-led development of research for the benefit of the economy and the people of Scotland. The culture of our universities is already changing.

Chic Brodie: Perhaps the culture is not changing quickly enough. I ask you for specific examples of when the funding council has influenced course provision in a way that significantly improved outcomes for employers and students. We have business studies courses but, if I look at the curriculum of universities, I see no real connection, although I understand that there are commercial units.

In another committee, we have been considering internationalisation and exports. I talked about the relatively small number of start-ups. Given the reputation that we have for research and development, innovation and partnership, £441 million is not a lot of money. Will you give me some examples?

Professor Hagan: Of course, that is the money that goes into the universities. It is not the money from which businesses and the economy benefit. There are two things. What flows through—

Chic Brodie: I am sorry to interrupt, but think how much more you could do if you took an equity share, for example. If that money was recycled through the universities, think by how much more your funding would be increased.

Professor Hagan: Some of our universities take an equity share, but the funding council does not. The funding that stems from the equity share that the universities take can be recycled to support business, industry and the further development of research in the institutions.

The Convener: As the matter has—rightly—come up a couple of times, I ask why you do not take an equity share.

Professor Hagan: We fund research and we fund development. The intellectual property that is associated with that is owned by the institution and the researcher, not the funding council. We would

need to impose a condition of funding that allowed us to take an equity share.

One of the major issues in any business arrangement between two partners—between a university and a business or industry that is interested in exploiting the IP, for example—is having another player at the table or another slice of the cake. If our universities are negotiating on a reasonable basis, securing investment and using the return on that investment effectively, I am not sure that we necessarily have a place as a middleman. However, I am open to other opinions on that.

The Convener: The discussion is interesting and, to be honest, I do not think that you are answering the question, Professor Hagan. I still do not understand. If such an opportunity arises, is there anything to stop you taking such a share? Does anything block you from doing that in your rules?

Laurence Howells: I do not think that we are absolutely blocked from doing that. That goes back to incentives and trying to keep an entrepreneurial culture in our universities so that they actively seek to make deals happen. In our experience, there tends to be a myriad of deals, from very large ones to relatively small ones.

We try to balance the needs of teaching, research, innovation in the economy, widening access and the cultural contribution. Our role is to create a healthy, entrepreneurial and active university sector that engages. The experience of universities that have had the benefit of deals from industry and money coming back means that they are hungry for more and keen to do more and to reinvest that money.

Professor Hagan: The research councils—

The Convener: I am sorry; I will bring you back in shortly, Professor Hagan. I am struggling here. If there is nothing to prevent you from doing something such as Chic Brodie suggested, I am struggling to understand why you would not do it in some cases, although you might not do it in all cases. You might provide a grant in some cases, but in other cases you might take a small equity stake, particularly in times of austerity and difficulty with finances. That might bring money back into the system, which would increase your ability to fund other projects. Surely that happens elsewhere in the world. Why does it not happen here?

Laurence Howells: We tend to fund the long-term infrastructure in universities rather than specific projects. If we were funding a specific project, we would probably do that in partnership with a range of partners. The scope for the state to benefit from co-investment in the system is definitely worth thinking about, but we are trying to

shift the culture so that it is more entrepreneurial and so that more of the activity that has been described happens.

The Convener: We are just trying to get you to be more entrepreneurial. Maybe that is what we are struggling with.

Chic Brodie: What would Professor Hagan do if he had £441 million—apart from buying Abellio ScotRail? Any investor has a right to say that they want a share of the IP, a return or shares in the company. We just do not do that in Scotland. It is great news that the culture is going to change, but the way to change it fast is to say that that is what you will ask for, so your demand on the public purse will ultimately be less and there will probably be a lot more than you get just now.

Professor Hagan: I am happy to take away and explore the option. However, the research councils do not take an equity share. I go back to our earlier discussion about outcomes. The outcome is the benefit for the economy and the people of Scotland. In this case, that is probably best discharged through company growth and the creation of wealth and jobs.

The Convener: I was going to let the matter go there but, if you took an equity stake, what would stop that being of benefit to the people of Scotland, economic growth and so on?

Professor Hagan: We will take the issue away and consider it.

The Convener: Okay. Thank you very much.

Gordon MacDonald: I will continue the discussion about employers and higher education institutions. Your submission says:

“we are in a unique position to anticipate, and to respond to, student and employer needs and gaps in higher and further education across Scotland.”

We have heard previously that there are up to 150,000 information technology vacancies across Europe, including vacancies in Scotland and the rest of the UK.

In the report, “Engineering UK 2015: The state of engineering”, EngineeringUK said:

“engineering enterprises are more likely than average to have hard-to-fill vacancies for professionals (31.7% compared with 17.6%) ... Furthermore, nearly half ... of engineering enterprises said that hard-to-fill vacancies meant they had delays developing new products or services”.

Given the issues in those two large areas, and given that you have a national programme on access to high-demand professions—reach Scotland, which is about access to dentistry, law, medicine and veterinary medicine—and the access to creative education in Scotland project, or ACES, why is there no project that focuses on

STEM subjects, when we know that there are a huge number of vacancies out there?

12:00

Dr Kemp: The two projects that you mentioned are widening access projects. As well as those, we have a series of interventions on skills, which will tackle some of the issues that you talked about.

Information and communications technology provides a good example. There is a shortage of ICT professionals in Scotland—according to “Skills Investment Plan For Scotland’s ICT & Digital Technologies sector”, the gap in Scotland is about 11,000, which is part of the larger gap in Europe that you mentioned.

In May, we met employers from the IT industry and departments from our colleges and universities to talk about how we address the mismatch between what the colleges and universities are producing and what employers want. We followed that up—I think that it was on the Friday before last—with a meeting with the colleges and universities about how we will respond. We are encouraging people to come together and ensure that the suite of available courses meets employers’ needs.

Sometimes the issue is not just numbers but getting the right courses. When we got the employers, the colleges and the universities together, the colleges said, “The destination stats for people who have done our courses are not great, so if you think that there is a shortage, why aren’t you employing those people?”, whereas the employers said, “They do not have quite the right skills.” We need to match the courses better to employers’ needs.

We will encourage the colleges and universities to come together in some form of partnership—it might be similar to the Colleges Scotland energy skills partnership, which operates in part of the engineering sector—to ensure that the courses are right and are badged to employers. The aim is that employers know that, when they take on someone who has done a certain course at a certain university, that person will have the skills that are needed for the job and, crucially, students will know that, when they enrol on a course, it will lead them into a particular part of the industry, rather than into a situation in which they have graduated and employers say, “No, that’s not what we need.”

By and large, employers are happy with the output of colleges and universities, but there are mismatches in areas such as ICT, and we want to work with colleges and universities to ensure that the mismatch disappears.

Gordon MacDonald: You were right to say that the reach and ACES national programmes are about narrowing the educational attainment gap. Will you put in place a similar project for ICT and engineering?

Dr Kemp: We do not have a specific plan to include ICT in the widening access project, but that could—

Gordon MacDonald: Can you say why?

Dr Kemp: The reason for the high-demand professions projects is that, if someone wants to get into medicine or some of the creative subjects, they need five As at higher—and for medicine, they need experience of working in a hospital, which advantages young people whose parents are doctors and so on. The reach programme is intended to address that issue, rather than a shortage of doctors, which is not an issue. That is not to say that we could not address skills and access in combination. We can look at that.

Gordon MacDonald: In its report, EngineeringUK said:

“The calibre of STEM graduates also needs attention”.

It went on to talk about employers’ concerns in that regard, saying:

“Heading the list is the troubling finding that nearly half of those respondents (48%) experiencing problems have concerns about the quality of STEM graduates. This ranks just ahead of the problem of a shortage of STEM graduates (at 46%).”

Are you doing anything to address that? I know that you touched on the issue earlier.

Dr Kemp: We are expanding the number of STEM graduates. Some of our additional places are specifically for STEM subjects, which will increase the proportion of students at university who are studying them. A bigger issue is that there are quite a lot of STEM students in the system, but a lot of them leave those subjects behind and do not go into STEM industries. The issue is about the attractiveness of STEM post university, because those students have numeracy skills that are attractive to a whole number of areas.

As I say, the issue is partly about expanding the number of STEM graduates, which we are seeking to do, but, to return to my earlier point, it is also about getting a better match between what is in the courses and what employers need. STEM graduates are attractive to many areas beyond engineering and science. We probably supply far too many for those industries. The issue is about getting a big proportion of the graduates we supply into the right industries.

Mary Scanlon: My first question is about the Scottish index of multiple deprivation. On Friday, I was at the West Highland College graduation. Do

you agree that, for rural areas such as Fort William and Ardnamurchan, the SIMD is a crude measurement that does not reflect students from poorer backgrounds? What are you doing to get a more accurate reflection of such students?

Dr Kemp: We recognise that the SIMD does not work as well in rural areas as it does in urban areas.

Mary Scanlon: It does not work at all.

Dr Kemp: No. We are aware that there is an issue, even in urban areas. For example, the proportion of the population in Aberdeen who are from the more deprived data zones is far smaller. We are very much aware of that in our interactions with the universities in Aberdeen. We do not have one target for all.

In rural areas, because of the small population and the more mixed data zones, the SIMD works particularly badly. We are keen that institutions use a basket of measures to describe what they are doing in relation to widening access, some of which relates to individuals, not data zones. That helps to give a bit of richness to understanding how well they are doing.

Mary Scanlon: That needs to be done fairly quickly, because the latest paper that you sent to the Public Audit Committee said that the University of Highlands and Islands had 4 per cent of students from poorer backgrounds compared with Glasgow and Forth Valley, which have around 35 per cent. That looks like it reflects poorly on UHI.

Dr Kemp: Rest assured that when we look at how well UHI and Robert Gordon University are doing, we contextualise that by looking at the figures on where they are drawing students from. We recognise that it is different for Glasgow.

Mary Scanlon: But those are the figures that you gave the Public Audit Committee—let us leave it at that.

I move on to my second question. What is the funding council’s role in national pay bargaining for further education colleges?

Laurence Howells: We do not have a direct role in that—it is a negotiation between the colleges and their staff. Our role is limited to funding, supporting the system and, from time to time, reflecting on the system’s operation and how it impacts on each college.

Mary Scanlon: It is Government policy to have national pay bargaining. On Friday, I was told that UHI and West Highland College have the lowest-paid lecturers in the whole sector. If you look at the further education sector, you can see that the difference between a lecturer’s salary at UHI and at James Watt College is £5,000 a year. The cost of living is no less in the UHI area, but UHI cannot

offer lecturers more money. It cannot fulfil the Scottish Government's national pay bargaining requirements for a national pay scale because of the lack of Scottish Funding Council funding. Do you acknowledge that, if the Government wants national pay bargaining requirements to be fulfilled, you will have to step in and either have some colleges stand still for five years or bring UHI up to the level of other colleges?

Dr Kemp: My understanding is that we are not directly involved. The discussions between Colleges Scotland and the unions on national pay bargaining are about equalising the pay increase each year, rather than immediately sorting out the underlying disparity. However, you are right that that disparity has an impact on institutions. I am not clear as to when they plan to tackle the issue.

Mary Scanlon: The institutions are funded by you. To pay staff, they have to get that money, or they will stop doing courses.

My third question is on the back of Gordon MacDonald's point. During last week's health questions in the Parliament, we had eight questions on the shortage of general practitioners. In other weeks, we have had questions on the shortage of nurses. This week, there has been huge media interest in the shortage of radiologists. There are also shortages of many other health professionals as well as of people in the STEM subjects, and we have heard about the drastic shortage of Gaelic teachers.

One of your responsibilities is to do workforce planning and to look at the skills that are required by our economy in the future. If you are looking at that and doing your job right, why do we have 29,000 fewer places in FE for under-16s, 150,000 fewer part-time places, 74,000 fewer places for over-25s and 24,000 fewer IT places? In schools—I hope that you talk to schools, because people will not get into further or higher education unless they have the qualifications—in national 4 and 5 last year, we had 29,000 fewer pupils sitting computing. That does not exactly sound like you are on course and at one with the Government or indeed the economy in meeting skills shortages. Will you address the points that I have made? After all those cuts, there were 3,000 additional full-time places.

Laurence Howells: I ask Professor Hagan to talk about the issues to do with medical subjects, and then John Kemp will talk about FE places.

Professor Hagan: The numbers of medical and nursing places are of course strictly controlled by the Scottish Government. We implement the numbers that are given to us, and we arrange for the distribution of those places across the sector. The issue of the number of GPs and other specialised disciplines across the sector is partly

to do with the choices that students make when they start and progress through their courses. There is nothing to determine that students who go through medicine have to become GPs or surgeons, or have to follow any particular discipline.

Perhaps the solution to the problem is to have some incentivisation for people who go into specialised subject areas, rather than to determine at the outset which particular part of medicine students will study. I suppose that many students who start medicine have no idea what particular disciplines are about and form their views as they progress through the course. Of course, they also form views on the basis of their particular aptitude for parts of the medical profession.

Mary Scanlon: But there are huge cuts in the science subjects in schools and in the number of science teachers. We have heard all about that in the past couple of weeks at the committee.

The Convener: Mary, let the witnesses answer before you come back in.

Mary Scanlon: I thought that he had finished. My point is that people need to have sciences to do medicine.

Dr Kemp: On the reduction in college places, a large reason for the reduction in head count is that there are more substantial full-time courses on offer. Many of the courses that are no longer there were extremely short. It requires quite a few of those to create a full-time course. You are correct that the number of sub-16 college courses, which are often delivered in schools, has gone down. Those were often very short courses, right through the school career. I suspect that the number will go up in the next couple of years as more substantial courses related to the developing the young workforce strategy become part of what colleges do in schools.

That is partly about getting a better link between what schools and colleges do together to respond to employer need. We are not responsible for all the things that happen in schools, but colleges are working closely with schools on vocational routes that could lead to college or university. We think that those will develop fairly fast in the next couple of years in responding to the youth employment strategy.

Colin Beattie: The panel will probably agree that the SFC has an important role in providing information and advice to Scottish ministers, based on your interactions with institutions. However, a number of written submissions that we have received have made criticisms that the SFC has become too closely linked to the Scottish Government. For example, the University of Dundee said:

"At times, the Scottish Funding Council has appeared to serve more as a conduit for government policy rather than as a critical buffer between Government and universities. Ensuring that SFC is enabled to fulfil this role is vital to the success of our sector."

Queen Margaret University said:

"Over the last few years it appears the SFC's role in delivering a challenge function to Scottish Ministers has been diminished."

How would you respond to those criticisms?

12:15

Laurence Howells: First, it is clear that we have two roles. Our key role is to operationalise the Government priorities that we have been asked to take forward, working in a full range of partnerships with not just colleges and universities but all our other partners. That is our key delivery role in developing and improving the education system as a whole.

We also have a role in providing advice to Government. The convention is that we provide that advice in confidence. We do that frequently on a whole range of subjects.

I am concerned if our key stakeholders—the universities and colleges—do not perceive us as acting in an objective way to create the best system that we possibly can. Part of our continuing dialogue with Universities Scotland and with individual universities is to make sure that they realise that we understand the individual pressures on them and that we act strategically to try to create the best possible system.

I should also stress that universities and colleges themselves offer advice to Government, directly and through other bodies.

It is a difficult balancing act for us. Our key role is to support the delivery of the Government's key priorities. That is what we put most of our focus on, and those are most of the outward-focusing activities that people will see. Perhaps we need to do more with individual stakeholders to make sure that they understand that we have heard, understood and reflected on the feedback that we get from them.

Colin Beattie: Do you agree with Queen Margaret University that you should have

"a challenge function to Scottish ministers"?

Laurence Howells: We have a challenge function; we operate that when we offer advice. Challenge is maybe too strong a word, but we offer advice. We say, "If you wish to do X, this is the best way of doing it," or "If you want to do Y, we'll need this amount of money," or whatever. Equally, we say, "If you want the kind of innovative educational system that you have said you want, this is the best way to achieve that."

Colin Beattie: To take a phrase used by the University of Dundee, do you see yourself as a "critical buffer"?

Laurence Howells: We see our role as being expert implementers of the Government policy to create the best education system that we can. If that is the definition of a buffer, the answer to your question is yes, but it is not the word that I would use.

Colin Beattie: It seems a bit strong to suggest that you are a buffer between the Government and universities. How do you see your role in relation to interfacing with the universities versus the Government? Where do you see yourself fitting in there?

Laurence Howells: I see us as trying to create the best connections between a whole range of stakeholders. It is not just a binary relationship; there are the universities, the student body and the local authorities as local employers—and there is also the whole system of education and schools. I do not see it as a binary relationship—one versus the other, if you like. We all have the same goal, which is to have the best education system that we can possibly have in Scotland. Our role is to try to engineer that.

Professor Brown: I will illustrate that a little bit. We regularly meet Universities Scotland. As was explained earlier, we also meet individual institutions. One of our recent experiences relates to the research excellence framework. I am looking particularly at Professor Hagan, because he and his team worked a lot with the different institutions to consult them about the methods of organising funding for all that. We do not do these things in isolation. When we are thinking about implementing a particular policy, it will be done through that iterative process. That kind of exchange goes on regularly between us and our stakeholders, including the universities, which are our key stakeholders.

Colin Beattie: Do you think that the two comments that I quoted indicate that there is any misunderstanding about the SFC's role or any expectation that is not being met?

Laurence Howells: We certainly saw those comments as showing us important things to work on with the universities by going back to them and asking what they meant and what more we could do to change things, as part of our thinking about how we improve how we function and how we work. It is important to say that we meet Universities Scotland in a three-way meeting with the universities and Government. We very much take the point that such feedback is of value to us in learning about and engaging more on how we could do better.

Professor Brown: In October, we will have a strategic meeting with the board. I found the submissions extremely useful and I will use some of the points in them to start a discussion at the board about what the board thinks of those perceptions and how we might address them.

Colin Beattie: A letter of guidance was issued on 10 September to the SFC in which the cabinet secretary stated:

"I consider it essential that you accelerate your efforts to reform and strengthen your own organisation to ensure it is attuned to the evolving political and economic environment and the needs of our communities; capable of acute analysis and effective and efficient ways of working; and of delivering effective, high-quality leadership to the HE and FE sectors it funds, ensuring that public investment delivers for learners and, ultimately, grows the economy."

That is quite a statement. How are you going to assess your performance against those guidelines?

Laurence Howells: Continuing the improvement and development of the SFC is at the top of my agenda, and the cabinet secretary's letter gives us a strategic framework within which to do that. We have adopted the Scottish Government's three-step improvement programme, which gives us a method whereby we can develop and improve what we do. At the next board meeting, we will present a new way of the board itself asking questions of the executive about how well we are doing. The questions will be attached to ways of assessing or measuring how well we are doing in all our tasks.

Colin Beattie: The letter of guidance is quite a sweeping ask.

Laurence Howells: Indeed. However, it is our aspiration as an organisation to be regarded in that light.

Professor Hagan: We are not starting from nowhere, because we have been engaged in that process for some time. For example, on the impact on the economy, we have developed significant partnerships with Scottish Enterprise and Highlands and Islands Enterprise that have been refined and improved over the past few years. Working in partnership, we can have a much bigger impact and deliver on some of the requests in the letter of guidance.

Chic Brodie: My question relates to funding. I am also a member of the parliamentary committee that looks at the economy and internationalisation, as is Gordon MacDonald, and we know that horizon 2020 is worth €72 billion over the next six years. How are we engaging with horizon 2020 to develop and strengthen the Scottish economy through the university mechanism?

Professor Hagan: We are doing that in two ways. The universities themselves, of course, are

heavily engaged in securing horizon 2020 funding, just as they were engaged in securing funding from FP7, which was the seventh framework programme for research and technological development. The evidence shows that the bulk of the funding that came into Scotland as a consequence of engagement with Europe during the FP7 period was taken by our universities, on the basis of the excellent quality of their research and its feed-in to the economy.

Among other initiatives that we are taking, we have the established interface project, which links universities with business and industry and has been working very successfully. In a relatively new intervention, we provide additional innovation vouchers that allow SMEs to engage with universities to secure horizon 2020 funding.

Chic Brodie: Do you have somebody who is dedicated to looking at the horizon 2020 programme? Are you working with the Government or Scottish Enterprise to ensure that we access that funding? As we are not—yet—an EU member state, we have to be very fast on our feet to make sure that we know what is going on.

Professor Hagan: We work proactively with Scottish Enterprise, the Scottish Government and Highlands and Islands Enterprise; importantly, we also work with, and are heavily engaged with, Scotland Europa. We deal directly with Mr Swinney's team—the commercialisation and innovation group—in Atlantic Quay, and we meet those various partners regularly to plan out our horizon 2020 activities. As a partnership, we organised a series of events around the country in advance of horizon 2020, engaging with SMEs from across the country to promote the various opportunities that would be available, and we are continuing that dialogue with them.

Mary Scanlon: Colin Beattie read out the guidance from the cabinet secretary that said that it was

"essential"

that

"you accelerate your efforts to ... ensure"

that you are more

"attuned to the evolving political ... environment".

What do you have to do to be more attuned to the political environment?

Professor Hagan: From a research perspective, if you have read the *Times Higher Education Supplement*, you will be aware that significant discussions are under way across the UK with the Nurse review of the research councils and the consideration of an alternative role for the Higher Education Funding Council for England. We must be aware of and alert to changes that are

happening across the UK, particularly with regard to the research agenda. My deputy, Stuart Fancey, is at BIS this morning, discussing those aspects.

Mary Scanlon: As far as I am aware, the research councils are not political, so that does not answer my question.

Professor Hagan: But they are influenced by political decisions that are made by BIS.

Mary Scanlon: Is that what is meant by the instruction for you to become more

“attuned to the evolving political ... environment”,

or does that relate only to the research councils?

Professor Hagan: There is a UK agenda for the research councils. I prefaced my comment by talking about research.

Mary Scanlon: What does Laurence Howells think that the instruction means?

Laurence Howells: I take it to mean that we must be attuned to the environment that we are operating within and what the Government of the day is asking us to do, not only in Scotland but in the UK and, potentially, in Europe. It might also involve our doing a little bit of horizon scanning with regard to what is coming down the road and the environment in which we will be operating in future.

One of the big messages that I take from the current Government is that there is an impetus for us all to work together in more of a system with the other partners in Scotland.

Mark Griffin: I have a couple of questions about how the higher education sector responds to international competition.

In advance of the meeting, the committee asked a series of questions including one about how the funding council provides leadership and added value to universities by helping them to monitor and respond to challenges from international competitors. The University of Edinburgh has said that the SFC

“does not have particular strengths in looking at international competitors or in enabling universities to meet the demands of international competition”.

What is the role of the SFC in monitoring international competitors, and how do you help universities to respond to that competition?

Professor Hagan: We are not actively engaged in monitoring international competitors—I will be open about that. However, using the resources that are available to us, we must ensure that our universities are resourced to be internationally competitive. If you take as a benchmark for that the performance of the sector in the recent REF 2014 exercise, you will see that our institutions are

as competitive as any across the UK. In addition, we refer in the documents to two publications, one from BIS and one from the Higher Education Funding Council for Wales, that consider a range of metrics for research performance across the four Administrations in the UK, and in every one of those metrics Scotland outperformed the rest of the UK.

If you are asking us how we match up against the rest of the UK in competition, accepting that the UK is ahead of much of the global competition, I would say that Scotland contributes disproportionately to securing the international position of the institutions across the UK.

Laurence Howells: It is also worth noting that we are a core member of the connected Scotland group, which is a partnership between us, the universities and colleges, the British Council, the Royal Society of Edinburgh and Scottish Development International—that is where the expertise lies to help our sector to export and be effective in the world. We see our role in supporting that but not in leading trade missions and so on.

Professor Hagan: Representatives of three of the innovation centres have been out in China, and the Chinese have been back to investigate what we are doing in our innovation centres, because they were taken with the model. In addition, the research pools in energy and life sciences visited Hong Kong and are now directly involved in bilateral partnerships with China. I should also refer to the Max Planck partnership. The Max Planck Institute does not form partnerships with just any organisation, but it has formed one with Scottish institutions. Regarding the innovative medicines initiative, the fact that we secured funding to establish the lead drugs factory for drug discovery in Scotland, against competition from across the whole of Europe and the rest of the UK, indicates that our investments have made our institutions internationally competitive.

12:30

Mark Griffin: You have listed examples of what you do to make institutions internationally competitive and have given examples of where you have been able to successfully get support, but do you have no role in monitoring what competitors are doing—for example, how successful they are in their initiatives to export expertise to attract research funding? Is there no role for the funding council in seeing what competitors are doing and possibly considering whether their initiatives would work in Scotland too?

Professor Hagan: Regarding the research agenda, our principal competitors are the other

parts of the UK, and we have to make sure that we are at least as good as those if not better. In many respects, we are better than other parts of the UK. If we are hitting that benchmark, it is almost certain that we are hitting a benchmark above most of the performance of the rest of the world.

The Convener: You need to watch competitors, though.

Professor Hagan: It is also a question of resource and the focus on it. Our universities are actively engaged in looking at what is happening outside, and they are involved in many international partnerships. The vice-chancellors of the six leading research institutions in Hong Kong engaged in a dialogue with the funding council and some of the principals from Scotland to find out how research pooling in the various disciplines had worked, and they were very interested in the success that has emerged from that model. We are ahead of the game in many respects, and other people are trying to emulate what we are doing in the sector in Scotland.

Liam McArthur: I offer my apologies to committee colleagues and to Laurence Howells and his colleagues for being unavoidably absent from the meeting earlier. I listened with interest to what Professor Hagan said about research, particularly in response to Mark Griffin's questions.

There have undoubtedly been some quite serious concerns about recent decisions, particularly in relation to the removal of the global excellence fund. We have received evidence from the University of Dundee suggesting that its removal

"reduces the level of investment in internationally leading research in Scotland".

A key partner, the Royal Society of Edinburgh, has suggested that recent changes

"might make it more difficult to sustain true global research competitiveness in Scotland".

The University of Edinburgh went even further, pointing to some of the world-leading research that it is doing and the extent to which that research delivers a considerable saving to the national health service in Scotland. It stated:

"The response to this world-leading impact has, incredibly, been to cut REG [Research Excellence Grant] funding to the University by £14m per annum by 2017. This is, in large part, the result of the SFC decision to reduce the priority attached to supporting world leading 4* research and is unlikely to support Scotland's Higher Education sector to perform competitively at an international level".

I hear what you are saying about our competitiveness with the rest of the UK and internationally, but it appears that some of those who are delivering that international competitiveness and world-leading research have serious questions about some of the decisions that

you have made and the basis on which they were made. Can you help the committee to understand the rationale behind those recent decisions?

Professor Hagan: I will try to do that. When the global excellence fund was provided, in advance of the REF 2014 exercise, that was with a view that it might be a short-term investment. However, the reality is that there is a transfer market of high-performing staff across the rest of the UK. We were conscious that that activity was under way and we and the Scottish Government did not wish to see Scottish institutions disadvantaged in advance of REF 2014, so additional investment was put into the sector by adjusting the weighting for four-star and three-star research from 3:1 to 3.11:1. The increase in weighting for four-star research was simply a mechanism through which to deliver the additional global excellence funding to the institutions that were doing the very best research.

We operate on the basis that all our universities should be involved in research and teaching. That is the board's policy and the Scottish Government's policy—indeed, that is the sector's view. We distribute funding to the universities on the basis of their performance in the REF exercise, which is a research assessment exercise. Probably partly as a result of previous investments by the Scottish Funding Council, many of our institutions performed better in the REF 2014 exercise. As a consequence, although the University of Edinburgh improved its performance, many of our other institutions improved their performance as well, so the distribution of three and four-star research across the sector varied.

If we had moved away from supporting research as we did in the current model, we could have faced the challenge that we were disadvantaging institutions that had improved their performance and had done so partly because we had resourced them to improve it. Given that it was, in effect, a zero-sum game, any redistribution of funding as a consequence of the REF was going to hit some of the larger institutions. As we have described it in other places, the peloton caught up with the leaders of the group. That can be seen as a bonus for Scotland in that there is now a higher quality of peer-reviewed research across the whole sector, but it had the consequence that the University of Edinburgh saw a drop in its funding.

Liam McArthur: Not only the University of Edinburgh expressed that concern. The University of Dundee has also—

Professor Hagan: Given that they are all in the same pot and that it is a zero-sum game, the distribution of funding would change for all of them if they all improved their performance.

Liam McArthur: You have set out the rationale for what you describe as a temporary measure to bridge between REF processes. I presume that it was understood as such by the institutions themselves at the time. They may even have made an appeal to the Scottish Funding Council or to ministers about that period needing to be bridged. In that case, it is rather surprising that they feel that the approach that has been taken latterly cuts against their expectations of what was likely to happen.

Professor Hagan: It was clear from the outset that the global excellence fund might have to be a short-term measure. Indeed, the funding that was available to us—

Liam McArthur: You say, “might have to be”. However, if it was a bridging mechanism, you would have had to make that clear. Either directly or through their agencies, Governments use bridging mechanisms all the time. This morning, we have talked about a transition period at length—as you know to your cost, having turned up on time. It should be made clear that transition mechanisms are time limited, but it appears that that was not made clear in this case.

Professor Hagan: We made it clear, when we made the funding available, that it might not be there forever.

John Pentland: A number of concerns have been raised about funding and leadership. For example, Universities Scotland has questioned the Scottish Funding Council’s ability to introduce further additional places if its budget remains static. It states that that

“would be a retrograde step at a time when the Widening Access Commission is working to promote a step change in access to university for learners from disadvantaged backgrounds”.

Universities Scotland goes on to say that it understands the funding council to be

“over-committed in funding strategic projects”

and that

“institutions are only funded to 96% of the full economic costs of teaching Scottish and EU students”.

Do you share those concerns? If so, why?

Laurence Howells: If the additional places were to be introduced as a significant long-term measure and our budget remained static, we could afford them at the price of managing other budgets that we have, which is what we would normally do. That is the basis on which we would plan.

The issue of meeting the full economic costs of teaching is a bit more complicated. Some universities have multiple sources of income and we expect them to maximise those sources

because that income contributes to covering the costs that they incur in their provision of teaching.

With regard to our priorities, we need to continue both to support widening access—which has involved us in the efforts that we have described—and, at the same time, to support institutions to make a difference to the economy. That is always going to be a balancing act within the budgets that we have.

John Pentland: In the context of what you have just said, do you consider your current levels of funding to be adequate?

Laurence Howells: I am sorry—I did not quite hear your question.

John Pentland: In the context of what you have just said, do you consider your current levels of funding to be adequate? This is your opportunity to make a pitch.

Laurence Howells: More can always be done. We have a great set of universities and colleges that do a fantastic job for Scotland. For us, the key focus is on what more we can do through working in partnership with them and other agencies. That is our key agenda. It is important for all of us to think about how we can make the whole system in Scotland more efficient and about what we need to do to make it work better.

Dr Kemp: If there was more funding, we would take it.

The Convener: That is taken as read.

John Pentland: Much has been said about widening access. As Dr Kemp rightly said, the commission is due to provide an interim report. How much do you think that it will cost to deliver the Scottish Government’s ambition on widening access?

Dr Kemp: It is quite hard to cost that, because it is necessary to make assumptions about how access should be widened and whether that should be done by equalising upwards, so that the participation rate of what is currently the lowest quintile is the same as the participation rate of the highest quintile, or whether the world will change over the next 17 years, such that the participation rate equalises but does not increase.

There are also costs related to what would be necessary to help schools to improve attainment and to put in place the articulation arrangements that would be necessary to support universities in widening access, but we already have those costs in our budget. It is a question of how we focus those in the future.

The short answer is that I do not know how much it will cost to deliver the widening access ambition. The commission is still carrying on its work. Depending on the solutions that it proposes

and the ways in which access is widened, there could be additional costs, but it is also possible that there will not be additional costs. I know that that is not a very helpful answer.

John Pentland: No—but maybe you will be able to answer my follow-up. Do you believe that changes are needed in how we allocate funding to universities to respond to the increased focus on widening access?

Dr Kemp: It is less a question of how we allocate our funding to universities than it is a question of how we use the outcome agreements which are, as I said earlier, a means by which we and the universities can have a dialogue about how they will meet aspirations. If, from the commission's work, a clear aspiration emerges for targets on how we will meet the First Minister's aspiration in 17 years, the way in which we will use the outcome agreements—which contain the widening access agreements that were set up under the Post-16 Education (Scotland) Act 2013—will be very important. It is a question of how we engage with universities on funding rather than there being an issue to do with the funding system.

However, I do not want to prejudge what the commission might say on funding. We will find out about that in the interim report in November or in the final report in March.

Liz Smith: I would like Mr Howells to clarify something that he said. Did you say that if, in agreement with universities, you are asked to provide more university places because of the widening access agenda, some of that funding might come from private sources of income?

Laurence Howells: The universities receive funding from all sorts of sources, which they apply to their business. I do not see that as being an obvious mechanism for increasing the number of places.

Liz Smith: Would all the money for widening access have to come through SFC funding?

Laurence Howells: The number of university places is, effect, regulated, and we fund all those places at the moment. That is how we would fund widening access places.

Liz Smith: I am sorry, but I want to be absolutely clear about this. Is it your understanding that if additional places were required in order to meet the increase in participation by people from more disadvantaged backgrounds, funding for those places would come from public money?

Laurence Howells: Yes.

Liz Smith: Absolutely?

Laurence Howells: Yes.

Liz Smith: Thank you.

John Pentland: You mentioned ambition and aspiration. I want to refer back to a question that Mary Scanlon asked about short-term courses being axed or abandoned in colleges. Do you feel that some pupils' ambitions and aspirations have suffered because of that?

12:45

Dr Kemp: The focus on full-time places for young people in colleges, which has been a Government priority that colleges have responded well to, has probably enabled more people to meet their aspirations. Widening access to higher education in colleges is the area of higher education that has the best record, and the most deprived areas are overrepresented in that part of education, which has grown quite substantially in the past few years. Over the past seven or eight years, the number of places for school leavers going into higher education in colleges has doubled, and that is creating aspiration for a lot of people. For many of those people, that aspiration will take them on to university.

Against that, some of the short courses that no longer exist were very short courses, often in leisure. We are talking about courses that lasted less than 10 hours, in some cases. We have to balance the two things. Perhaps some of the part-time courses were valuable, but many were not as valuable as full-time courses for young people.

Mark Griffin: You will be aware of concerns about severance packages for senior management at Coatbridge College. Part of the funding for those severance packages was provided by the funding council. Why did the funding council provide that, given the concerns that I know it had about those payments?

Laurence Howells: We thought about that. The difficulty for us was that had we—to use a fairly strong term—fined the college for those actions, that would simply have damaged the service that was being provided to students, because that money could not be recovered from the people to whom it had been paid. On balance, we thought that we should not burden the existing students or the new college that was being created at the time, so we felt that it was best not to pull that money back.

Mark Griffin: In that case, would you acknowledge that since some of the severance packages were funded by the previous Coatbridge College and partly by the funding council and money has left the sector, students at New College Lanarkshire have, by extension, been disadvantaged by the excessive pay-outs to the previous management?

Dr Kemp: We funded a proportion of the packages at Coatbridge College, but we funded only up to the amount of the Lanarkshire scheme, which was the 13 months, or broadly one year, payback scheme. The amount above that that was paid to some senior staff—in particular, the principal at Coatbridge College—was not funded by us. However, because that money came out of Coatbridge College's resources, it was not available to New College Lanarkshire afterwards. I accept that.

Chic Brodie: A few months ago I had discussions with colleges that said that they were short of funding, and one had taken the novel approach of using non-cash depreciation to provide cash. Do not ask me how. It transpired that the problem was that the Office for National Statistics had reclassified some of the spend. What involvement do you have with the ONS before it changes a classification, which in that case meant that the college ended up with a severe potential shortage, although eventually the Government recovered it?

Dr Kemp: We have no involvement with ONS before—

Chic Brodie: So the ONS can just reclassify education.

Dr Kemp: Yes.

Chic Brodie: And we end up with a shortage in one area.

Dr Kemp: When the ONS reclassified, the Government engaged with it about that, and I believe that it engaged with the Treasury about the implications of that over several years prior to its happening. However, we had no direct involvement with the ONS on whether the spend should be reclassified.

Chic Brodie: Reclassification can have a severe effect on college and university funding.

Dr Kemp: It did not have a severe effect on university funding—universities have not been reclassified. It has, however, had a significant effect on how colleges operate and on how the SFC needs to operate with colleges to monitor spend, now that they are part of Government accounting.

Liam McArthur: I would like to follow up on that. The discussions are interesting. I assume that there is a discussion with the ONS at Government level about the implications of any reclassification, and I presume that the funding council had discussions with the Scottish Government about the bearing of additional legislative changes that the Government proposed on ONS classification. Is that true?

Laurence Howells: We did not have particular discussions about those issues at the time. My understanding is that some of the key issues that the ONS identified were to do with control and borrowing consents, which were nothing to do with the legislative changes at the time.

Liam McArthur: With respect, there were issues relating to ministers' control in respect of the workings of the college sector.

Laurence Howells: Indeed.

Dr Kemp: The ONS reclassification happened before the legislative changes in 2013. I suppose that, theoretically, the Government could have used the opportunity of the 2013 act to move in the other direction, but the reclassification was prior to that.

Liam McArthur: I presume that the funding council was involved, with ministers, in that discussion.

Laurence Howells: Yes. We discuss all the time. We discussed how we would mitigate reclassification, if we were going down that road, and we discussed alternatives.

Mary Scanlon: I am thinking about the overall finances of universities. Yesterday, I got the figure of £1,820 for the Student Awards Agency for Scotland tuition fee that is paid to students. That is a very rough average. Given that people who come here pay £9,000 in fees, how can we ensure with the controlled numbers that we have—I go back to my first question and the example of GPs—that Scottish universities choose students who are domiciled in Scotland, for example in the Highlands and Islands, where there is a critical shortage of GPs, radiographers and so on? How can a Scotland-domiciled student who is more likely to go back and work in the Highlands and Islands be chosen over someone from England with a £9,000 fee?

Dr Kemp: The funding that we give to universities is for Scots and EU students.

Mary Scanlon: That is what I said.

Dr Kemp: The SAAS fee is only an element of that. There is our funding on top of that, which, depending on the subject area, brings the amount broadly in line with the £9,000 that comes from the fee.

Mary Scanlon: The teaching grant is £5,700. That brings the figure to £7,600, which is still quite a bit less than £9,000.

Dr Kemp: The institution will not make a choice between the student who brings in £9,000 and whoever else. Our particular funding is for that level, because it cannot substitute between the two.

Institutions will try to recruit students from the rest of the UK over and above our students if they can. However, it is now impossible for a student from the rest of the UK to displace a Scottish student, because we have a target with institutions for numbers of places for Scots and EU students, and that is what we fund. By and large, institutions meet that target; I am not aware of any recent examples of their being significantly short. That does not suggest that students are being displaced.

Theoretically, if an institution had room for only 100 students in a building, it could be possible that it might take the English ones, but that is not happening. In fact, the introduction of the fees for rest-of-UK students enabled us to withdraw funding from students who used to be in our system. It used to be theoretically possible for a rest-of-UK student to displace a Scots student, but because that funding was withdrawn from our system, we used the money that we saved to purchase additional places for Scots and EU students. Therefore, there are now more places in the system for Scots and EU students than there were prior to the introduction of fees.

Mary Scanlon: When does a target become a cap?

Dr Kemp: There is a cap, as well. It is there to control the SAAS costs.

Mary Scanlon: You are saying that there is a cap on Scottish students, even though there are more places.

Dr Kemp: Yes. There is a cap that is over and above our target. Our target is for a particular number of places. Universities can recruit above our number of places and just take the SAAS fee, but there is a control purely to control the SAAS costs. However, where institutions want to breach that cap because they want to widen access or meet particular skills needs, an arrangement is now in place in which they can tell us in advance that they plan to go hell for leather to recruit, for example, more information and communication technology students or more widening access students, and we will, through an arrangement with the Government, arrange that they can breach the cap.

The Convener: My final question is to ask for clarification. Are outcome agreements concerned with all the relevant SFC funding or just with specific funding streams?

Laurence Howells: The outcome agreements are for all the key funding streams for any individual institution. However, a multi-institution project would be managed through a different process. Basically, the vast bulk of provision to one of our universities would be covered in an outcome agreement.

The Convener: The vast bulk of provision is covered, but some things around the edges are not.

Laurence Howells: Yes. For example, if an innovation centre is being managed across institutions, it makes sense to do that in a slightly different way. We try to integrate them as much as we can.

The Convener: Okay. Thank you very much.

I thank all the witnesses for attending the meeting. Once again, I apologise for the delay at the start, but I think that that helped Professor Hagan. We are very glad that he made it along. We appreciate the witnesses' time.

Meeting closed at 12:56.

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