

AUDIT COMMITTEE

Tuesday 4 April 2000
(*Afternoon*)

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AUDIT COMMITTEE

6th Meeting 2000, Session 1

CONVENER

*Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Nick Johnston (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Brian Adam (North-East Scotland) (SNP)

*Scott Barrie (Dunfermline West) (Lab)

*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)

*Miss Annabel Goldie (West of Scotland) (Con)

*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

Lewis Macdonald (Aberdeen Central) (Lab)

*Paul Martin (Glasgow Springburn) (Lab)

*Euan Robson (Roxburgh and Berwickshire) (LD)

Andrew Wilson (Central Scotland) (SNP)

*attended

WITNESSES

Robert Crawford (Scottish Enterprise)

Eddie Frizzell (Scottish Executive Department of Enterprise and Lifelong Learning)

Evelyn McCann (Scottish Enterprise)

Patricia Russell (Scottish Executive Department of Enterprise and Lifelong Learning)

CLERK TEAM LEADER

Sarah Davidson

ASSISTANT CLERK

Sean Wixted

LOCATION

Committee Room 2

Scottish Parliament

Audit Committee

Tuesday 4 April 2000

(Afternoon)

[THE CONVENER *opened the meeting in private at 14:44*]

15:05

Meeting continued in public.

“Scottish Enterprise: Skillseekers Training for Young People”

The Convener (Mr Andrew Welsh): I welcome members of the public and the officials from the Northern Ireland Audit Office who are in the public gallery today. They have travelled from Belfast to visit this committee, and are very welcome.

I welcome the witnesses and invite the lead witnesses, Mr Robert Crawford and Mr Eddie Frizzell, to introduce their colleagues.

Robert Crawford (Scottish Enterprise): Thank you. Evelyn McCann is our director of lifelong learning and inclusion.

Eddie Frizzell (Scottish Executive Department of Enterprise and Lifelong Learning): Patricia Russell is head of the transitions to work division of the lifelong learning section of the enterprise and lifelong learning department and is responsible for policy in this area.

The Convener: In today's meeting we will ask questions about three main areas: ensuring that the amount that Scottish Enterprise spends on training is the minimum necessary to buy additional benefits; the scope for improved planning and managing information in skillseekers performance and costs; and how Scottish Enterprise can use skillseekers to provide training that matches the needs of local communities.

I will begin with a question on paragraph 2.48 of the National Audit Office report, which says that 48 per cent of employers participating in skillseekers would have recruited and trained the same number of young people to vocational qualification standards without skillseekers support and that that proportion could be as high as 72 per cent. Mr Crawford, why does Scottish Enterprise support employers in providing training that the employers would have provided anyway?

Robert Crawford: That is a classic additionality

question. Evidence from the evaluation study undertaken in 1997-98 suggested that only 39 per cent of non-participating companies would have undertaken training to a VQ level. Of employers and employees surveyed, eight out of 10 described the training that they received as either good or very good, suggesting that skillseekers was achieving what it is supposed to in impact. In the evaluation study 60 per cent of employers also said that if skillseekers funding was halved, they would either reduce or remove training.

It is fair to say that if you pose a question in the abstract, there is a tendency for people to say that they would not do whatever, but when they are confronted with the reality, they may change their mind. Although that evidence is not from a formal study, I am persuaded that on balance it shows that skillseekers achieves additional training of a quality that would not occur without it.

The Convener: But you do accept the report's findings?

Robert Crawford: Yes.

The Convener: Mr Frizzell, why are you prepared to accept such a large proportion of the budget being spent for no additional benefit?

Mr Frizzell: There is an additional benefit. Whatever employers may say about their willingness to engage in training, it is far from clear that people are being trained up to VQ standards. However, over the period that is covered by the report, a significant number of young people have been trained up to achieve a recognised qualification that they can show to future employers and that will give them employability in the future.

I do not think that we are accepting that a level of deadweight is inevitable, but it is true that there will be a degree of deadweight in any scheme, especially one of this kind, which subsidises an employer who is in the market. Obviously, we would like to reduce the level of deadweight and to maximise the additionality. The report gives us a basis for reconsidering that to see whether we can do better.

The Convener: Mr Crawford, the evaluation report that provides the evidence in paragraph 2.48 of the NAO report was produced in 1998. What have you done since then to reduce the expenditure on employers who would recruit and train to VQ standards without the skillseekers programme?

Mr Crawford: The report also refers to the fact that, for every £1 of expenditure that we undertake, something like £1.53 is spent by employers. We are in the process of introducing a corporate training system, the intention of which is to disseminate best practice across the Scottish

Enterprise network as a means to diminish differentials and to share best practice information among the enterprise companies. However, the programme is demand led, and local economic circumstances differ. Those considerations suggest that there will be substantial variation across Scotland. Across the network, we are introducing an integrated and uniform system so that we understand where we are paying and what we are paying. We are endeavouring to address the issue that you raise.

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): Will you use a recognised benchmarking tool throughout Scotland? Will each local enterprise company that is above or below that benchmark have to explain why?

Mr Crawford: We are introducing a uniform tool called the corporate training system. It is part of a wider information system that we are introducing across the Scottish Enterprise network. Information will be accessible to anyone in the network and, for that matter, to people outside the network, so providers can also draw on it. The system for sharing best practice will be rolled out annually.

Margaret Jamieson: This report was prepared before the introduction of the corporate training system. When did you introduce the benchmarking? How will you report on its progress?

Mr Crawford: The corporate training system is being rolled out. We are also increasing the amount of knowledge that is held and disseminated across the network. By the end of 2003, we intend to be fully enabled.

Evelyn McCann (Scottish Enterprise): We introduced the principles of the corporate training system before the NAO report came out. It is fair to say that that report has given us some useful indicators. For specific types of occupational training at specific levels—and bearing in mind vocational qualifications of levels 1, 2 and 3—we are recommending bands that would be used across the network. Those bands would reflect the needs of the young people and, importantly, would give more consistency across the network so that individuals and employers knew what they could expect from us in terms of financial support. That system is in place, and we will gather information on its effectiveness from individual enterprise companies. Information on the corporate training system will help us to plan our funding policies in the future.

Margaret Jamieson: Mr Frizzell, are you satisfied with the procedures that are to be put in place?

Mr Frizzell: It is for the department to lay down the policy and to get Scottish Enterprise to deliver

on that as best it can. From what I have been told about the corporate training system, it seems to me to provide us with an opportunity to take forward the matters that are mentioned in the report, along with other matters relating to cost variations. I would be very happy for Scottish Enterprise to take it on and to see how it works.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): I would like to direct my questions to Mr Crawford. Paragraph 3.6 on page 41 of the NAO report states that Scottish Enterprise uses incentives to the LECs to encourage them to minimise the level of support that is provided through skillseekers. However, paragraph 2.48 on page 34 records that a survey of employers participating in the programme found that 48 per cent would provide the training anyway. That suggests to me that half the employers who provide the training would do the same for half the money.

15:15

Mr Crawford: The incentives referred to are surpluses, which are used to ensure that the enterprise companies get the best possible deal for the taxpayer. Your other point refers back to the issue of additionality. The report acknowledges that substantial advances have been made over the past three years in savings and quality. Obviously, we want both savings and improvements in quality. It is conceivable that employers would undertake this training without intervention. However, the body of evidence suggests that substantial progress has been made in that regard and that it is not certain that employers would provide training if it were not for the incentives. Some would, but some would not.

Cathie Craigie: Are you saying that you think the incentive system works?

Mr Crawford: We are guaranteeing young people that if they wish to undertake training under skillseekers they will be able to do so—at least in the case of two-year age cohorts. With regard to the LECs, the incentives have been shown to be a success. As the report acknowledges, over the past three years £25 million has been saved. We may be able to go further, and we will be looking into whether that is possible.

Cathie Craigie: Paragraph 3.10 and figure 13 provide some examples of the steps that LECs have taken to minimise the price that they pay. However, the report also states that pricing decisions are not well documented and that the NAO could find no substantive evidence that payments were the lowest necessary. In those circumstances, how can you be assured that the prices paid are the lowest necessary?

Mr Crawford: This refers back to the issue of

the corporate training system. We accept that we need to improve the quality of information and, for that matter, the sharing of information across the network. The corporate training system is intended to do that.

The Convener: We now want to examine why the cost of achieving VQs varies and whether improvements can be made.

Nick Johnston (Mid Scotland and Fife) (Con): Thank you for giving me so much time to prepare, convener. I apologise for being late. Paragraph 3.29 states that the National Audit Office analysis identified that up to £14 million a year may be spent on training that does not lead to a VQ. Given the importance that the Scottish Executive places on achieving VQs, Mr Frizzell, to what extent do you consider that expenditure to be wasted?

Mr Frizzell: I do not know whether that expenditure is wasted. At issue is whether the attainment rate is adequate. We would all like the rate to increase very significantly. I do not know what the maximum is; I do not know whether a rate of 80 per cent or 100 per cent is attainable. One might conclude that getting half of those involved in the scheme up to level 2 of a vocational qualification is quite a good performance, given the group of young people at whom the scheme is aimed.

We often deal with people who may not have a strong motivation to go into this and are of mixed ability. Bear in mind that about 19 per cent of people leave school with no highers. Many factors could militate against achievement of the vocational qualification at the end of the process. I cannot give you a direct answer as to whether 50 per cent is far too low or is a reasonable performance. I would like to see a higher percentage, but it is a lot better than it was. Around 12,000 young people are getting VQs now. Half that number did so at the beginning of the period covered by the report, so progress is being made. If you are asking whether the situation could be better, I am sure that it could.

Nick Johnston: Let us agree that we would both like it to be better.

What action are you taking to maximise the number of VQs that skillseekers achieve?

Mr Crawford: I will flesh out the point that Eddie Frizzell made. In addition to those who achieve VQs, there are 30,000 modules that provide credits towards a VQ. Although someone may not achieve a VQ at the time, that does not mean that they will not do so later, and they will have had training which could contribute towards a VQ. Clearly, we need to do this better. We are sharing best practice across the network, not only in the CTS but more generally, on how we can improve the body of information that we already have.

Evelyn McCann: As Mr Crawford said, the 50 per cent achievement is a reflection of the number of young people who leave the programme before they have had sufficient time to achieve the vocational qualification. One of the targets that the Scottish Enterprise network has set itself this year is to understand why young people leave the programme early and, more important, to take action to stop them from leaving the programme. A number of our enterprise companies are working with young people to find out why they left, working with career service partnerships to find out what motivates the young people and working with training providers. If there are barriers that prevent the young people from achieving the qualification, we want to understand them fully and implement change.

I support Mr Crawford's point that although the VQs are useful measures, the credit towards them achieved through modules also helps young people in later life, when they may want to return to those VQs as part of lifelong learning.

Mr Crawford: I do not want to get tied up in statistics, as they can be used to prove any point, but when this programme began in 1981, 18 per cent were achieving VQs. We are now at 50 per cent so, although there is room for improvement, there has been substantial improvement over the period, which demonstrates that value is being added. We recognise that we cannot stop there and must move on. Over this challenging period, we have substantially advanced on where we were.

Nick Johnston: That moves us neatly on to paragraph 3.37 on page 53. It states that

"over the whole Skills and Knowledge budget for Youth Training, up to £3 million was spent on training where trainees made limited progress against their individual training plans."

What are you doing to ensure that trainees only begin training when there is evidence of a real commitment to progress? How do you identify those young people at the beginning and see them through to the end of the VQ?

Mr Crawford: There is a guarantee, which must be met. If someone aged 16 or 17 says, "I want into the scheme", they must get into it. What you then do is build on the level of knowledge that we have so far and improve upon it as to what will make this person more likely to complete the VQ. As there is a guarantee, the onus falls on us to provide information, knowledge and support to the young people and employers to ensure that success rates are increased.

The Convener: What assessment is made of commitment before the training starts?

Evelyn McCann: In support of what Mr Crawford said, if a young person says, "I want a

skillseekers place", we must provide it. I would not describe what I am going to say as an assessment of commitment, but every young person who starts on a skillseekers training programme has an individual training plan prepared for them, which is based on the young person's ambitions, expectations and abilities. The training plan is put in place to allow them to progress towards the VQ. However, if after the production of the training plan the young person chooses to leave, we have no authority to insist that they stay. It is difficult to respond to the question on commitment. The programme is demand led and a young person has a right to a place; it is our job to provide that place.

Margaret Jamieson: Are you saying that you do not conduct exit interviews, even when the young person may be within a week or two of finishing the training course?

Evelyn McCann: If a young person indicates that they intend to leave, we carry out an exit interview. However, if a young person leaves on a Friday and does not come back on the Monday without indicating that they are planning to leave, we cannot always get an exit interview. Sometimes it is quite difficult to trace those young people; they are not always registered at the Careers Service.

Margaret Jamieson: Surely you would have an address at which you could contact them?

Evelyn McCann: We send out a follow-up survey but, as the report suggests, the response rate to that questionnaire is not particularly high.

Mr Crawford: We recognise that we need to improve the follow-up process. The report highlights that. There is a difference between the performance in Scotland and that in England and we are currently examining measures to improve that situation.

Brian Adam (North-East Scotland) (SNP): We have heard from Mr Frizzell about the 50 per cent target. Paragraph 3.28 of the NAO report shows that Scottish Enterprise has been monitoring its achievement rates since 1997-98 and that for 2000-01 it has set a target of 50 per cent starts to achieve a VQ at any level within three years. Given that the NAO found that half the 1996-97 starts achieved a VQ, how can you suggest that your target, which is no better than that, is challenging?

Mr Crawford: Are you asking how we move on from where we are?

Brian Adam: I am suggesting that you have already achieved the 50 per cent rate and that, three years on, your target is the same as the level that you have already achieved. I would have hoped to see some improvement as you were

refining the process, benchmarking and trying to achieve best practice. Mr Frizzell suggested that we could set any kind of target. I would hope that we could have something better than that, or at least a realistic target. I do not think that it is unrealistic for us to expect an improvement on the 50 per cent that was achieved three years ago.

Mr Crawford: No one knows the maximum level for a variety of reasons—perhaps the young people or the employers are not motivated. We need to understand more about how to improve our current position.

Brian Adam: In that case, what steps are you taking to understand where you are and how you are progressing? How do you assess the trainees coming in and their level of commitment? You have not given any indication of how you are going to reach a higher level or assess whether the level you are at is a reasonable one.

Mr Crawford: First, we have already mentioned the corporate training system and the sharing of information that will come from that. Through the output monitoring framework that Scottish Enterprise runs across the LECs, we are endeavouring to improve the level of understanding and knowledge that the LECs have about what succeeds and what does not. Across Scotland, there will be significant variation because of local economic circumstances and demand.

As the report recognises, the programme is demand led. Within any of the entry groups there will be a variation in the levels of commitment. Our obligation is to use the output monitoring framework, the corporate training system and other devices, to ensure that best practice is shared more widely.

Brian Adam: Are you suggesting that setting a goal in this area is not worth while?

Robert Crawford: No.

Brian Adam: How will you go about setting a goal, and why do you think that the goal you have set is reasonable?

Robert Crawford: Setting goals is generally a reasonable thing to do but, because the marketplace is so fluid and because of the demand nature of the programme, we do not know at which point the level stabilises. It is always difficult to move beyond that point. We must continually improve the information base that we use when we are trying to improve the programmes in discussion with the LECs. You are right that the level has stabilised, and we need to find a mechanism to ensure that we push it forward, but I cannot say where that will end up because we genuinely do not know.

15:30

Brian Adam: It might be useful for you to give some thought to how you will do that.

Evelyn McCann: To add to what Mr Crawford said, you are right that the targets should be made more challenging, because it is important for the organisation to ensure that young people have the best opportunities as they start work. However, we should describe the client group that we are dealing with. At any given point, around 140,000 young people are eligible to leave school at 16. Because of increasing staying-on rates at school and higher and further education participation rates, we can expect on average 23 per cent of those young people to join skillseekers. They tend not to be the highest academic achievers. We are now taking that into greater account in setting targets. Over the past four or five years, we have noticed a difference in the ability of the young people who join the programme and that is part, although not all, of the reason for the static achievement level.

Robert Crawford: We need to find a mechanism to ensure that we have a clearer view of what we can achieve.

Brian Adam: You need something that will allow for the area and annual differences in the cohorts coming through.

Robert Crawford: Yes, we do.

Brian Adam: On a related matter, paragraph 2.31 refers to the Executive's target of 20,000 modern apprentices in training in Scotland for VQ level 3 or above by 2003. How will you monitor that, particularly as it is at the upper end of what you hope to achieve? How are you helping to deliver the 20,000 modern apprenticeships?

Robert Crawford: We have made substantial progress on modern apprenticeships and the target levels have been improving, so the issue of stability that you raised does not apply. However, modern apprenticeships are challenging for several reasons, including the fact that the majority—I think around 60 per cent—of those entering modern apprenticeships want to go into traditional apprenticeships that are harder to find because of the changing nature of the economy. We are making progress in that area, and the information that we are gathering suggests that we will hit the Executive's target.

Brian Adam: Will you let us have that information?

Eddie Frizzell: The way in which to achieve the target on modern apprenticeships is under review by the Minister for Enterprise and Lifelong Learning. A number of policy issues are being addressed, to enable Scottish Enterprise to deliver that target. It will probably require an adjustment to

the scheme and some changes to the criteria under which people aged 18 to 24 come within the scope of the scheme. It will probably require more consistency in the assistance that LECs give that age group. I hope that an announcement will be made soon, probably by the minister. Action needs to be taken to enhance our chances of delivering that target.

An important point made earlier is that competing pressures must be taken into account in substantially increasing the target for modern apprenticeships.

People are staying on at school and going into further education. There is increased participation. We must find a way of making modern apprenticeships attractive and have a scheme that allows Scottish Enterprise to improve delivery to those involved. There will be an announcement soon. Active policy consideration is under way.

Brian Adam: Having heard that, I take it that you are not trying to tell me that we will have an announcement by the minister instead of an update. I assume that you meant that we would have a ministerial announcement in addition to that. Mr Crawford committed himself to providing us with details of the progress of the scheme, which he is already monitoring.

Evelyn McCann: I can update Mr Adam. At the moment, 12,800 young people are participating in modern apprenticeship training programmes in the Scottish Enterprise area. As Mr Crawford said, 60 per cent of those young people are engaged in traditional areas such as engineering, motor vehicle construction and electrical installation. If we want to raise numbers involved in the programme from 12,800 to the target figure for Scottish Enterprise of 18,200, we must, as Mr Frizzell said, ensure that we get uptake of modern apprenticeships in what I would describe as the non-traditional occupations and sectors.

The Convener: We will now examine how to improve management information and areas of performance measurement.

Miss Annabel Goldie (West of Scotland) (Con): Mr Frizzell, paragraph 2.18 of the report tells us that in 1995-96 the National Audit Office

"found that management information returns reporting LEC performance to Scottish Enterprise were inconsistent and lacked clarity."

Paragraph 2.20 tells us—perhaps surprisingly—that in June 1999 Scottish Enterprise's internal audit system supporting management information was still inadequate. In those circumstances, how can you be satisfied that Scottish Enterprise is achieving what you require of it?

Eddie Frizzell: I refer to the National Audit Office report that we are discussing today, in

which I note that it is said that considerable progress has been made, that more vocational qualifications have been awarded, that there have been improvements in quality, that the guarantee is being met and that the programme is broadly effective. I thought that that was a reasonable indication of how well Scottish Enterprise was doing. Scottish Enterprise's internal audit procedures are, first and foremost, a matter for Scottish Enterprise. The department relies on the National Audit Office to provide us with external audit advice.

Miss Goldie: Given what the report discloses in paragraphs 2.18 and 2.20, are you content with that—without further examination by the department?

Eddie Frizzell: Obviously, I would expect Scottish Enterprise to do better. The department relies on the National Audit Office to tell us how well Scottish Enterprise is doing. Scottish Enterprise is responsible for monitoring local enterprise company information.

Miss Goldie: Is it your position that as long as Scottish Enterprise delivers something, you are content with that, or do you look to the National Audit Office to keep you right?

Eddie Frizzell: As long as Scottish Enterprise, as our delivery agency, fulfils Government policy, with due regard to propriety, and meets its targets—where those are set—and as long as the National Audit Office assures us that Scottish Enterprise is doing those things properly, we should be content with that. The local enterprise companies are a matter for Scottish Enterprise and the network.

Robert Crawford: Before the introduction of the corporate training system, to which I have already referred, there were 13 separate systems—the LEC systems. The evidence that we have gathered so far on the CTS, which will be part of a wider set of knowledge and information-gathering systems, suggests strongly that the information will be much more robust—as the report highlights that it needs to be—and that there will be far more emphasis on the quality of information.

Miss Goldie: In fairness to you, paragraphs 2.21 and 2.22 list a number of steps that are being taken to improve management information in Scottish Enterprise. However, for the benefit of the committee, can you tell us when you expect those actions to be complete and when you will be able to produce consistent and reliable information?

Robert Crawford: This year. There will be a national framework for information and benchmarking on a uniform basis.

Miss Goldie: Mr Crawford, I would like to take you on to paragraph 2.35—perhaps Mr Frizzell will

have an interest in this as well—which sets out why the output measurement framework recognises the need to measure continued employment and further training as indicators of positive outcomes from skillseekers training. Why are no targets set for achievements? Mr Adam's questions alluded to that point.

Robert Crawford: I am sorry—are you referring to paragraph 2.35?

Miss Goldie: Paragraph 2.35 sets out why the output measurement framework recognises the need to measure continued employment and further training as indicators of positive outcomes from skillseekers training. However, no targets are set for achievements, and I wondered why that was. How do you know what you are achieving if you do not know that you have achieved it?

Robert Crawford: A variety of different processes are under way to improve tracking and to ensure a more consistent approach in future. We referred earlier to both the output monitoring framework and the corporate training system, which are in place precisely to address that issue.

Miss Goldie: Will Mr Frizzell comment on that point?

Eddie Frizzell: This is a difficult area. We must wind back to the purpose of the youth training guarantee. The objective of the policy, and therefore of the delivery agency, is to get people into training and, as far as possible, into employment while they are training, and for them to obtain a recognised vocational qualification. The scheme is not a continued employment programme, although I know that that might sound a bit strange. Members might argue that the policy should be that our organisations exist to get people into continued employability.

However, that is not the purpose of the scheme, which is to get people into training. Whether people then remain in employment in the long term, staying with that employer or moving on to another, or become unemployed in future, is not necessarily a direct consequence of the scheme—nor are those outcomes a measure of whether Scottish Enterprise is delivering the policy that it has been given to deliver.

The purpose of the scheme should be debated, but at present it is to fulfil the guarantee to 16 and 17-year-olds that they will be offered training and, ideally, employment.

Miss Goldie: May I clarify that point? Do you mean that it is okay for us to train them for nothing?

Eddie Frizzell: I suppose the bottom line is: yes. I would not regard that as okay—probably no one here would—but the purpose of the scheme is to have them trained. I would not necessarily accept

that that would be for nothing, because if one has a qualification, one enhances one's chances of employability. However, I do not think that it would be reasonable to say that Scottish Enterprise should set a target for whether a young person is capable of going and getting a job, having had the opportunity to achieve a qualification and having gained that qualification.

Miss Goldie: Let me think that through. Is the consequence of that line of argument that we may spend public resources training these young people for the rather sad destination of not being fit to do anything in future? I cannot quite understand how that is an effective use of resources or, much more important, how that is an intelligent or sensible use of the young people.

Eddie Frizzell: I do not think that that is quite my analysis. We train people in the belief that we are increasing their chances of employability by training them to the level of a vocational qualification. I think that most people would accept that, if we follow that approach, the people we train will be more employable. That is not the same as saying that they will get a job, or that they will never be unemployed.

Robert Crawford: The report lists the benefits that flow to both the employer and the employees from their participation in the scheme.

There are two issues, the first of which is tracking. What happens to the young people as they go through the scheme and as time passes?

Miss Goldie: Do you regard that as significant or relevant?

Robert Crawford: Yes. We must understand and acknowledge that the tracking of young people as they go through employment is important for us, and we must improve our tracking procedures.

Miss Goldie: Why do you take that view?

Robert Crawford: Because that information is important for the economy. Labour market information is significant for understanding where skills are scarce and for policy responses to such situations.

Therefore, we need to improve on our tracking procedures, which is important for its own sake and because it contributes to our understanding of the policy outcomes. However, the report acknowledges that other benefits flow from participation in skillseekers although, admittedly, those benefits are not the core theme of the scheme, which is about giving a guarantee to young people that they will at least have the opportunity to achieve a vocational qualification. Those benefits flow to the young person, to the company and, through the company, to the economy. For those reasons, while we recognise

that it is important to try to understand more about what happens to young people in the long run, the scheme seems to me to have made substantial advances. I think that the report acknowledges that point.

The Convener: You mentioned quality outcomes, but you admit that many people fail. You seem to train anybody who turns up, whether they will succeed or not. Has anyone measured the effect of failure on the people who go through the system?

Robert Crawford: I will let my colleague answer the second part, but the first answer is that there is a guarantee. We are obliged to train 16 to 17-year-olds who want to participate in the scheme.

The Convener: Evelyn McCann has been very patient in trying to get into the discussion.

Evelyn McCann: The committee might be aware that local enterprise companies and local authorities are partners in the delivery of careers services in lowland Scotland. In partnership with the Careers Service, we look at the impact—if I can use that term—on young people who fail in the skillseekers programme. As I mentioned, we are looking at an analysis of why they leave early and the impact not just on the economy, but, more important, on them. We do that in partnership with our Careers Service colleagues, because we are part of that organisation.

15:45

I return to Miss Goldie's point. Mr Frizzell is right: we are given targets by the Scottish Executive, which relate to meeting the guarantee, the achievement of vocational qualifications and employment status. The fact that 75 per cent of the young people who go through skillseekers are in employment during their training, and a large percentage of them—I think that it is 72 per cent—secure employment beyond that training, is an indication not only that the training is helping young people to achieve qualifications, but more important, that something is happening during the training that makes them far more employable to future employers.

It would be inappropriate for us to set targets at this stage, but as Mr Crawford said, we take on board the comments of the National Audit Office that we need a more robust tracking system, because we would like to feed back the information on what happens to young people to the Scottish Executive and our organisation to inform future policy for the programme.

Eddie Frizzell: That is an important point, which I would have made, but I was asked a question about targets, not about tracking, and there is a distinction to be made. It is right that we track,

because that is one way in which to discover whether we are training people needlessly or in the wrong areas, but that is different from setting a target for employability. We want to know how people are faring, but setting a target is much more problematic.

The Convener: How are targets chosen? On what basis are targets set by the Scottish Executive?

Patricia Russell (Scottish Executive Department of Enterprise and Lifelong Learning): Targets are set in a process of discussion and negotiation, and are called grant-in-aid targets. Over the past year, for example, we discussed and negotiated the targets that were recently set for 2000-01. They encompass basic targets such as numbers of starts, numbers in training and numbers who are employed. However, we are trying to develop targets that are more directly related to cost-effectiveness, such as targets on the achievement of vocational qualifications by start, and reducing the percentage of early leavers in the programme. That relates to what Evelyn McCann said about using information to understand better how we can improve the effectiveness and cost-effectiveness of skillseekers.

Euan Robson (Roxburgh and Berwickshire) (LD): You said, "we discussed", but with whom? Who has discussed?

Patricia Russell: My team and I, and a team from the Scottish Enterprise learning and enterprise division.

Scott Barrie (Dunfermline West) (Lab): Mr Crawford, if we could return to tracking, paragraph 2.36 tells us that you have attempted to monitor positive outcomes in the short term through follow-up surveys. However, the next paragraph says that those results have not been used in the past. How do you intend to use the information that you have, and improve the information collection system?

Robert Crawford: As I have acknowledged several times, we need to improve the quality of tracking and we need to learn; we are piloting a programme to do that. When we have a clearer view of what happens to the young people as they go forward, that will inform our ability to flex the programme to make it more likely that they will, for example, successfully conclude a VQ, or at least improve VQ performance when moving from one employer to another. Overall, the significance of tracking is in helping us understand the policy implications as we go forward.

Scott Barrie: Is it not a concern that some of the sampling has had a return as low as 5 per cent in the past? Why do you think that it has been so poor?

Robert Crawford: It is a matter of concern, and there are a number of reasons for it. Many young people simply are not motivated and do not regard tracking as important. Some people will not respond to a survey and regard it as an unnecessary imposition on them. I imagine that there are a variety of social and psychological reasons for saying, "Why should I return this form? There is no incentive for me to do so." We are concerned about the situation and we need to improve it.

Evelyn McCann: In one of our enterprise companies, we are piloting a telephone follow-up survey, because of the poor rate of response to the questionnaire that we send out. Although it is a follow-up survey for adult trainees, we are getting a higher response rate and better feedback on what has happened to the clients and how they have benefited. We will review the lessons learned from that pilot telephone follow-up survey to see whether it would be appropriate for the skillseekers programme.

Paul Martin (Glasgow Springburn) (Lab): Why has it taken so long to get to work on tracking? Scottish Enterprise has been in operation for a long time and people have talked about tracking before. I have been an elected representative for seven years. When I was first elected as a councillor, I called the local development company to discuss tracking. Why has it taken so long?

Robert Crawford: We have always done tracking, but it has not been very effective. That might be because of the method used or because of the audience that we were trying to reach. The lesson might be that the mechanisms that we used were inadequate. The questionnaire form might have been wrong and we might not have given young people enough encouragement to respond to it. The use of the telephone survey in England suggests that that might be a more effective mechanism for getting information. We have recognised the point that is made in the report, and we know that we need to improve matters.

Evelyn McCann: Scottish Enterprise would like to do tracking in partnership with other organisations. I have mentioned our relationship with Careers Service companies, which are more likely to see the client than is the enterprise network.

Patricia Russell: As Evelyn said, tracking goes wider than Scottish Enterprise, particularly for the client group in question. In the past couple of years, there has been a lot of discussion in the context of the Beattie committee report about the need to track young people who have uncertain transitions. Some complementary work is being done using the school leavers survey, tracking people for a longitudinal survey, which has not been done before. That is a recognition that for the

16-to-19 age group, and particularly for young males, there is an uncertain transition. All groups, including the careers service review, are considering that problem, but there needs to be more follow-up tracking.

The Convener: What do you mean by uncertain transitions?

Patricia Russell: Uncertain transitions means scheme hopping. Young people who come out of school with little or no educational attainment often enter skillseekers but drop out to go to college, then drop out of college to get a job in a fish factory for a few weeks. That is the sort of thing that I mean by uncertain transitions.

Brian Adam: You suggested that there was no incentive for people to fill in your questionnaires. Have you considered giving skillseekers a variety of incentives to complete the forms?

Evelyn McCann: Our current questionnaire offers young people who answer it the opportunity to enter a ballot to win £250 of clothes vouchers for the Next group of stores, but that has not increased the response rate as much as we would like.

Brian Adam: Perhaps you need a stick rather than a carrot.

Robert Crawford: I have a copy of the form. As you can see, the incentive is described on the front page. However, 16 and 17-year-olds have other things to do in their lives. They probably look at the form and decide that it is not a major priority. They probably think, "What are my chances of winning £250?" It is incumbent upon us to find more effective and creative mechanisms to reach them.

Margaret Jamieson: It is a long time since I was 16, but I think that the design of that form is not particularly catchy and it looks as though you are asking for a lot of detail. That may be very off-putting, particularly to a young person who has just had a crisis and has decided that they are not returning to the training programme. It would be much better to engage with young people directly.

Robert Crawford: The form is quite detailed. I am not qualified to comment on whether the design is attractive. However, it does ask for a lot of information.

Scott Barrie: Perhaps we can move on from tracking, although that discussion has been both illuminating and important.

Paragraph 2.44 of the report states that there are no plans to measure expected benefits in the longer term. As such information seems essential in evaluating the strengths and weaknesses of the skillseekers programme, when do you think that you will be in a position to set longer-term aims

and objectives?

Evelyn McCann: We recognise that we want to track what happens to young people, but we do not think that it would be appropriate for us to set specific targets at this stage. When a young person completes or—for whatever reason—leaves the programme, many other factors come into play in their lives, including the state of the labour market and the local economic circumstances.

Scott Barrie: To go back to something that Mr Frizzell said, if we want to measure the effectiveness of the skillseekers programme, we need targets for what we want the programme to achieve. Paragraph 2.44 suggests that such long-term, positive measurements are absent.

Evelyn McCann: Yes. We recognise that. That is why we want to carry out tracking to provide us with a better information base. That would allow us to set more longitudinal targets if we felt that that was appropriate.

Robert Crawford: This is an important issue. Regardless of whether we think that a guarantee for 16 and 17-year-olds is appropriate, we have to meet it. According to the body of evidence, it is important that we have vocational qualifications for the long-term benefit of the economy. Although we do not know what will happen to the young people as they go through their working lives, the evidence suggests that vocational training is important to the young person and their employers and contributes to the economy as a whole.

To find out the most effective form of training, we need to gather information from the young people through improved tracking. We have acknowledged that. However, that is a different issue from targeting. It would be extremely difficult for us to manage that. The most important thing is to understand the correlation between the training given, VQs achieved and the impact that that has on young people as they go through their working lives.

The Convener: The next section asks whether we can improve monitoring of performance and costs of local enterprise companies.

Paul Martin: Paragraph 2.28 states:

"Scottish Enterprise annual operating contracts with LECs set out levels of delivery they expect LECs to achieve".

Paragraphs 2.29 and 2.31 and figure 9 set out the importance of achieving higher level VQs. The LECs are consistently failing to deliver the higher level VQs. How do you monitor the LECs against the contracts and what action have you taken in light of the consistent failure to achieve the expected number of level 3 VQs?

Robert Crawford: That raises a client group issue. At VQ levels 1 and 2, the employer may feel that there is no benefit from going further, as the individual has achieved a level of competence that is sufficient for the task. The employee may share that view. A wider issue is the incentive and motivation of young people to go on to higher vocational qualifications. That explains, to a large extent, what is going on here.

16:00

Paul Martin: Paragraphs 2.33 and 2.34 highlight the benefits that can be gained from a more detailed analysis of performance in achieving VQs to match the national priorities. Do you plan to refine the scoring system that is in place?

Evelyn McCann: We have mentioned the CTS a couple of times. This year, we have weighted the system in such a way as to give more money to attracting young people to enter specific occupations at specific vocational qualification levels. To use a clichéd example, the public sector support to allow someone to train as a hairdresser is less than the public sector support that we would give to train someone to be an electrician or an engineer.

As Robert Crawford said, we must bear in mind the demand-led nature of the programme. Young people want places and they tend to want them within their locale—at that age, people are not keen to travel long distances. Our ability to deliver is based on the opportunities of employment that are available. We have chosen to use weighting so that, through higher public sector support for the training, we can attract young people to the occupations and attract employers who have not been in the programme.

Paul Martin: Is refining the system a priority?

Evelyn McCann: We have refined the system with effect from 1 April this year. Similar programmes have existed in the past. Before the introduction of skillseekers, the youth training programme was delivered in slightly different ways in our 13 enterprise companies. However, as Robert Crawford said, in 1996—when we introduced skillseekers across all the enterprise companies—we saw the opportunity to create a more cohesive and standard approach. The things that we have been discussing have followed from that. The NAO report has focused our attention to deliver the changes more quickly than we had originally planned.

Paul Martin: The system that you employ to set prices for LECs for skillseeker training makes no assumptions on the surpluses that LECs might earn. Paragraph 3.18 and figure 14 show a significant range in the surpluses earned, which may reflect over-generous payments to some of

the LECs. How can you justify the prices that you pay to the LECs?

Robert Crawford: We use a uniform rate for the LECs. That system was introduced four years ago. Since then, as the report acknowledges, substantial savings—£25 million over three years—have been made. Before that, a differential system was in place.

The evidence is that the use of a uniform rate incentivises the LECs sufficiently to generate the surplus. Remember that the surpluses are used for reinvestment in training programmes. We are persuaded that the use of the current system and uniform rate—recognising that, even in an economy as small as Scotland's, there are huge variations in demand from the young people and in opportunities for training—gives sufficient incentive to save money. Perhaps the saving should be more than £25 million as we go forward, but over the past three years we have made advances on the previous system.

Paul Martin: Are you more than happy with this system, which involves paying organisations that have surpluses?

Robert Crawford: The surpluses are reinvested. We believe that the incentives given to the LECs are sensible, because surpluses are reinvested in other training programmes. The report acknowledges that that process has saved £25 million over the past three years. That suggests that, although we can always improve, we are certainly making progress.

Paul Martin: Do you have no plans to amend or refine the system?

Robert Crawford: We do not have any plans to amend the system. However, the CTS will allow us to come to more informed conclusions about what works best. However, there is and always will be variation across Scotland, reflecting the local economic circumstances of particular LECs. Considering the system objectively, I think that the CTS is better than what has gone before.

Euan Robson: I would like to pursue that a little further. You say that there are standard payments, and that surpluses are reinvested. Is it possible that some LECs have far greater needs than others? For example, rural LECs may have great difficulties in finding training provision because there may be only one training provider. They may also have to consider travelling costs. Some LECs that do not have such specific problems have a bigger surplus, which they can deploy on what I might call the icing on the cake, or gold-plated training. Meanwhile, other LECs are using their surpluses to invest in things that ought to have been covered by the money that they are paid anyway. In your uniform system, do some LECs have hidden needs that they have to meet from

surpluses? Are you considering that problem?

Robert Crawford: I acknowledge that there are variations across Scotland that reflect local economic circumstances. Our output measurement framework tries to identify where need lies. We allocate resources against the achievement of targets while recognising local needs.

Euan Robson: If a LEC comes to you saying that it has surpluses but is especially hard pressed, would you be sympathetic and explore some of its difficulties?

Robert Crawford: Yes.

Evelyn McCann: We saw an example of that recently, when there were a number of redundancies in the Borders. Scottish Borders Enterprise did not have surpluses that it could reinvest. It made a bid to Scottish Enterprise, and additional resources were allocated. Resources were redistributed throughout the network to meet that specific need.

Margaret Jamieson: I would like to ask about Ayrshire—and I am grateful that we have people here from Ayrshire. Ayrshire has very rural areas—in the south and around Muirkirk, for example. However, your scheme does not seem to allow for that, and the NAO report does not seem to indicate that it can be measured. You spoke about the Borders to Euan and said that money had been made available, but that does not seem to be a built-in provision. In Ayrshire, we have rural areas, urban areas, areas with high levels of deprivation, areas with high unemployment—a whole mixture. However, that does not seem to be taken into account in considerations of the additionality of funding.

Robert Crawford: I think that it is taken into account. We acknowledge that, when LECs in whatever part of the country generate a surplus, they will use that surplus to identify and support local needs. The use of surpluses by Enterprise Ayrshire suggests that that is true. It has identified specific needs in Ayrshire. Provided that its ideas give value for money, we support them.

I come back to the original point that Mr Martin raised. The current system incentivises the LECs to achieve surpluses—although not at the expense of quality, I hasten to add. Those surpluses can be used for local needs. The list of surpluses that the LECs have generated across Scotland suggests that that is what is happening. Each LEC has its peculiar set of issues. Ayrshire is urban, semi-urban and rural, so the LEC there will have different demands on its funds.

Euan Robson: On the question of costs, paragraphs 3.4 and 3.5 show that there is a variability of costs among LECs, only half of which

the NAO can explain. Are you looking at the reasons for that and can you give us an initial comment? We are all concerned that needs should be met. Ayrshire has been given as an example. If there are extra costs, resources should be allocated to meet them so that there is equal access to training and consistency across Scotland.

Robert Crawford: You are right to raise the issue of variability; we need to understand it better. I apologise for returning to the corporate training system, but that is an attempt to improve our understanding of why the differences exist—we expect the CTS to be effective and to inform the funding of LECs. The differences will continue in so far as they reflect economic and geographic realities.

Euan Robson: Figure 18 gives the VQ achievement rates by LEC. The figures range from 74 per cent to 39 per cent. As I am from the Borders, I can probably suggest why Scottish Borders Enterprise achieved 74 per cent. Have you considered the reasons for that spread of results?

Robert Crawford: The variability can be explained in part by local economic circumstances. There may also be an issue around the effectiveness of LECs in implementing the programme. More than anything, variability is about the substantial differences across Scotland in the opportunities for young people that affect their willingness to stay the course.

Evelyn McCann: I refer to my earlier comment on the client group; some young people have very specific needs. In rural Scotland, there is not the same choice of training providers or colleges. That affects the individual's access to training and their motivation and the ability levels of those joining the programme.

Euan Robson: That suggests that rural areas would have lower scores, whereas in fact they have higher scores.

Evelyn McCann: In the Scottish Borders there is a history, as there is in the Highlands and Islands, of commitment to education and learning. Performance in those areas on a range of programmes has been high.

Euan Robson: Some of this relates to opportunities to work or to join other programmes. If there are fewer alternatives, young people will take the training option. Will you look at this area to see if any best practice can be distilled from it?

Robert Crawford: I acknowledge the variability in performance, which is shown in figure 18, with Glasgow Development Agency lowest and Scottish Borders Enterprise highest. That may reflect the difficulties of a large city and the

alternative opportunities in Glasgow as well as the motivation of the young people. A variety of complex issues underlie the variation, which we need to understand better.

The Convener: We are told that LECs have consistently failed to deliver, that there have been over-generous payments to some LECs and that half the variability in costs cannot be explained. Your answer is that the corporate training system will sort that out. Will it, and over what period?

Robert Crawford: The CTS will make a substantial contribution to, as you put it, sorting it out because it will provide more and better information than has been available hitherto. Clearly we need to go beyond that and to address differences in performance across the network directly with the enterprise companies. The CTS is not the whole answer but it is a substantial part of it.

The Convener: When do you expect to see that system biting?

Robert Crawford: I do not expect to fix things in only a year but I expect to see at least the progress beginning this year.

16:15

The Convener: We might return to that issue.

The final section of questions concerns matching skillseekers funds directly with local economic needs and the scope for improvement in that area.

Nick Johnston: This afternoon, we have learned that all 16 and 17-year-olds are guaranteed a training place. On page 19 of the report, paragraph 2.8 states that, at any time, some 200 young people or 5 per cent of those registered might have waited longer than expected for a place. Are there targets to reduce the number of people waiting that long?

Robert Crawford: The target is to make sure that young people receive a place within eight weeks.

Nick Johnston: Mr Frizzell, are you happy with the performance of the LECs in this area?

Eddie Frizzell: Although it would be nice if 100 per cent of young people did not wait longer than expected for a place, 95 per cent is not a bad achievement.

Nick Johnston: Are you concerned by the fact that many of the young people who are waiting that length of time have already dropped out of the programme once?

Eddie Frizzell: We are obviously concerned that people have dropped out of the programme. However, the fact that they are returners and that

it might be proving hard to offer them another chance is a good illustration of the difficulties of dealing with that group.

Nick Johnston: Is there any intention to change the programme to address the needs of people who drop out then return?

Patricia Russell: From the Executive's viewpoint, people from that group have what are called chaotic lifestyles as well as uncertain transitions. The Beattie committee reported extensively on a wide range of aspects of the group, not just on the educational and training provision, although there were a number of recommendations for enterprise networks and colleges about improving provision if and when young people can attend training consistently. That takes us back to issues of assessment and the role of the Careers Service and other guidance professionals. The Beattie committee's recommendations are still being actively worked through; there should be an announcement on that fairly soon, which will affect the training programme and other aspects of provision. That group of young people causes most difficulty for the LECs and the Careers Service, which work closely to sort out suitable opportunities for them.

Nick Johnston: Does that mean that there is a group of 16 and 17-year-olds that the skillseekers programme is not helping?

Patricia Russell: Evelyn McCann may wish to comment on that. I can say that a number of young people are being helped through the special training needs provision of the skillseekers programme. That was not the subject of this report, which concerns SVQ2 and above. LEC and European funding has been invested in several good programmes for young people in what is termed pre-vocational training, although that is something of a misnomer.

Robert Crawford: The short answer to Mr Johnston's question is yes. We have acknowledged that point and are trying to address the problems of information flow through the use of career liaison officers between the LEC and the Careers Service. However, a group of young people clearly finds the system a challenge and we have introduced several programmes that seek to address the problem.

Evelyn McCann: At any point in time, about 12 to 15 per cent of young people are in the special training needs category, and many of the surpluses that we mentioned are reinvested by the LEC to help that client group. That group has been the subject of a major review by the Beattie committee, which made a number of welcome recommendations that will have implications on our resources.

There are guarantee liaison officers in every LEC. Best practice has been identified within the network in the Glasgow Development Agency area, where Careers Service staff, guidance teachers and staff from the LEC examine every available skillseeker opportunity and do a case study on every young person to try to make a direct match. That—for many of the reasons to which Patricia Russell has alluded—is not an exact science, but it is good practice and we would like other enterprise companies do the same.

Although we are talking a lot about the guarantee and the demands from young people, there are often employers who want to participate in the skillseekers programme but cannot because there are no suitable young people to refer to them. We must match both elements.

Nick Johnston: Thank you.

Paragraph 2.16 on page 22 indicates that, although LECs go to great lengths to identify skills strategies for their local areas, the delivery of training to match those strategies is

“constrained by the demand led nature of Skillseekers.”

May I ask Mr Crawford whether, from his point of view, that means that a proportion of LECs’ budgets is not being used to address the real priorities of meeting skill needs?

Robert Crawford: No. We accept that there are constraints, but the LECs’ budgets are being used effectively to address skill needs.

Nick Johnston: Is that the case even taking account of the demand-led nature of the skillseekers programme?

Robert Crawford: Yes.

Nick Johnston: Mr Frizzell, have you any plans to make changes to ensure that demands and skills are more evenly matched?

Eddie Frizzell: I agree with Robert Crawford that the figures show that the LECs are doing pretty well. If one examines what happens to those skillseekers who become employed, one would not see a hairdresser being employed by a manufacturing company. The fact that we are getting people employed suggests that we are meeting needs.

If there is a demand for skills that are not usually required in an area, Scottish Enterprise must meet that demand and there might be a mismatch. If we tried to address that we would have to go back to examining the nature of the programme and we would have to ask whether we needed a guarantee. That is a big policy issue, which impinges on matters that are not entirely within the gift of the Scottish Administration—there are, for example, issues about the benefits system and so on. It would be unreasonable to suggest that there

is not a difficulty but, in terms of the percentage of people in employment who are getting training, the LECs are doing pretty well.

Euan Robson: I would like to examine the 18 to 24-year-old group and to refer to paragraph 2.11 in the National Audit Office report. That paragraph raises questions about how LECs decide on their provision for that group. There is a concern that people living in certain parts of Scotland might expect very little—there will be a capped service or some kind of artificial constraint—but those in another part of Scotland might have access to better service. Provision must be matched to local skills needs, but surely there is a need to ensure that provision gives equal opportunity. Paragraph 2.11 states:

“In one LEC a simple limit was applied to the amount of training for 18-24 year olds but there was no clear basis for the limit.”

The paragraph also says that two other LECs placed a cap on budget allocations for that group. How can we ensure that people throughout Scotland are getting a fair opportunity?

Robert Crawford: We acknowledge that point and the cap has now been lifted.

Euan Robson: There is a wider issue—we must ensure that people get adequate opportunity. Is there a mechanism to ensure that LECs are offering variety and a consistent approach that is tailored to local needs without suffocating local initiatives? There should be no major disparities in provision.

Robert Crawford: We have lifted the cap and we acknowledge that there are variations in need throughout Scotland. We have encouraged the LECs to apply whatever is necessary in the context of their local areas.

Evelyn McCann: Members should bear in mind the fact that the budget that is allocated for the skillseekers programme is there to meet the guarantee. The flexibility that is available to an 18 to 24-year-old person would be constrained if we were not able to meet the guarantee. However, we have been able to meet the guarantee—with the exception of the 5 per cent who wait longer than eight weeks. In the past, once LECs met the guarantee, they could if necessary use the remaining resources and surpluses to address that problem.

As Mr Crawford said, this year we have decided on a more standard approach across the local enterprise network. We have agreed criteria for support for that age group, although, as Mr Frizzell said, that has implications for the achievement of modern apprenticeship targets. He also said that that is subject to policy consideration at Scottish Executive level.

The Convener: We have had quite a long session and we have addressed a range of topics relating to this important subject, which affects a large number of people in the outside world. I offer heartfelt thanks to the witnesses.

16:25

Meeting continued in private until 16:42.

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