

EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

Wednesday 28 October 2009

Session 3

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EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE **28th Meeting 2009, Session 3**

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

Kenneth Gibson (Cunninghame North) (SNP)

COMMITTEE MEMBERS

*Claire Baker (Mid Scotland and Fife) (Lab)
*Aileen Campbell (South of Scotland) (SNP)
*Ken Macintosh (Eastwood) (Lab)
*Christina McKelvie (Central Scotland) (SNP)
*Elizabeth Smith (Mid Scotland and Fife) (Con)
*Margaret Smith (Edinburgh West) (LD)

COMMITTEE SUBSTITUTES

Ted Brocklebank (Mid Scotland and Fife) (Con)
Hugh O'Donnell (Central Scotland) (LD)
Cathy Peattie (Falkirk East) (Lab)
*Andrew Welsh (Angus) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Douglas Ansdell (Scottish Government Culture, External Affairs and Tourism Directorate)
Nikki Brown (Scottish Government Culture, External Affairs and Tourism Directorate)
Fiona Hyslop (Cabinet Secretary for Education and Lifelong Learning)
Colin MacLean (Scottish Government Schools Directorate)
Chris McCrone (Scottish Government Finance Directorate)
Michael Russell (Minister for Culture, External Affairs and the Constitution)
David Seers (Scottish Government Culture, External Affairs and Tourism Directorate)
Sarah Smith (Scottish Government Children, Young People and Social Care Directorate)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Nick Hawthorne

ASSISTANT CLERK

Emma Berry

LOCATION

Committee Room 4

Scottish Parliament

Education, Lifelong Learning and Culture Committee

Wednesday 28 October 2009

[THE CONVENER *opened the meeting at 09:30*]

Decision on Taking Business in Private

The Convener (Karen Whitefield): Good morning. I open the 28th meeting of the Education, Lifelong Learning and Culture Committee in 2009. I remind everyone present that mobile phones and BlackBerrys should be switched off for the duration of this morning's meeting. We have received apologies from Kenny Gibson, who is unable to attend. Mr Gibson's substitute is Andrew Welsh, whom I welcome to the meeting. I also welcome Mike Russell, the Minister for Culture, External Affairs and the Constitution. He and his officials are here in connection with the committee's consideration of our second item of business, which is budget scrutiny.

Our first item of business is a decision on taking future business in private. Does the committee agree to consider in private matters relating to the scrutiny of the Scottish Government's draft budget for 2010-11, a draft work programme paper at our next meeting and our draft report on the Scottish Government's draft budget for 2010-11 at future meetings?

Members *indicated agreement.*

Draft Budget Scrutiny 2010-11

09:31

The Convener: The second item on our agenda is the budget process for 2010-11. I am pleased that Mr Russell has joined us. He waited quite some time to come to the committee, but now it appears that he cannot stay away.

The Minister for Culture, External Affairs and the Constitution (Michael Russell): Like buses, there are always two coming along at once.

The Convener: This morning Mr Russell has been joined by Nikki Brown, the deputy director of the Scottish Government's creative Scotland division, who is also a regular attendee at committee at the moment; David Seers, team leader of the cultural excellence branch; Douglas Ansdell, head of the Gaelic unit; and Laura Petrie, director of finance at Historic Scotland. I extend a warm welcome to you all.

Elizabeth Smith (Mid Scotland and Fife) (Con): With your permission, convener, I would like to ask about a point of principle. I understand that other committees are provided with level 4 budget figures. Why has this committee not been permitted to have that information? In some cases, it would be helpful for us to have a little more detail on underlying budget lines. I ask for that point to be considered.

The Convener: I understand that the Government routinely provides level 1, 2 and 3 figures. Level 4 figures can be provided at a committee's request. There is no reason why the committee cannot write today requesting level 4 figures in advance of our further consideration of the budget at next week's meeting, if we agree to do so this morning. Is the committee content to agree that?

Elizabeth Smith: That would be helpful.

Michael Russell: The Scottish Parliament information centre asked us for level 4 information on cultural collections and the national performing companies, which we provided. I presume that that information has been provided to the committee.

The Convener: Yes, it was circulated this morning.

Michael Russell: We are happy to provide level 4 information on other items, at the committee's request.

Elizabeth Smith: We do not have it for the other parts of the budget.

Michael Russell: If it is requested, we will provide it.

The Convener: SPICe circulated the information on cultural collections and the national performing companies this morning. I understand that the minister would like to make a short statement in advance of questions.

Michael Russell: Thank you for inviting me—for the second time in recent weeks, as the convener said—to talk to the committee about the culture aspects of my draft portfolio budget for 2010-11.

The draft budget for 2010-11 has been published against the backdrop of what can only be described as a significant squeeze on public spending. The Scottish Government's departmental expenditure limit budget—the money over which the Scottish ministers have direct control—will reduce by 0.9 per cent in real terms, compared with 2009-10, using the Treasury's gross domestic product deflator of 1.5 per cent for 2010-11.

Despite the difficult financial settlement under the United Kingdom comprehensive spending review and the £500 million cut in the planned Scottish budget for 2010-11, the Administration has still delivered an increase in the culture budget of 13 per cent in cash terms over three years, which equates to an extra £31.2 million. The cuts that the UK Government imposed will nevertheless have a direct impact on how we support arts and culture and our wider international affairs. My priority has been clear—we must be smarter about how we deliver strong policy outcomes and protect the areas that are vital to Scotland's culture.

I have therefore reluctantly reduced the scope to introduce new spending on support for innovative cultural initiatives. Instead, I have concentrated the available funds in two priority areas—creative Scotland and Gaelic. Crucially, I have been able to sustain the level of funding for establishing creative Scotland at what is a sensitive time. I know that the committee has been positive about that process recently. The establishment of creative Scotland as a statutory non-departmental public body will support, develop and promote the widest range of art, culture and creativity. It will embrace our creative industries, encourage our creative entrepreneurs and contribute to economic recovery. As well as protecting that budget, I have ensured that £2.5 million will be available for the creative innovations fund, which will bring the total for the fund to £5 million in the period 2009-11.

I also want to focus on initiatives that prioritise the creation of a new generation of Gaelic speakers and promote the use of Gaelic in education, the arts and Scottish public life generally. I am glad to say that we can also continue the vital work that is being undertaken to protect Scotland's historic environment, as well as preserving and ensuring access to Scotland's

national archives and collections, particularly through on-going major capital projects.

Despite the cuts, I am determined to achieve maximum impact for the culture sector. In summary, my priorities—which I hope will achieve that impact—are to support the establishment of creative Scotland; to provide increased access to the national collections and increased tourism potential by completing our funding commitments to the national museum of Scotland and Scottish national portrait gallery projects; and to ensure that funding for Gaelic is used effectively to create a secure future for the language.

I am happy to answer any questions that the committee has. Members have information before them, but if there is a request for more information, I am happy to ensure that it is provided.

Ken Macintosh (Eastwood) (Lab): I apologise to the minister, because my questions are on creative Scotland and we have gone over many of these issues in recent weeks. The budget book contains a planned budget for creative Scotland in the region of £57.5 million, but the financial memorandum for the Public Services Reform (Scotland) Bill talks about a budget of £35.5 million. Will you explain the difference between those two figures? Will you also remind us where the transition costs for the establishment of creative Scotland will be found and can you point to those in the budget document?

Michael Russell: I will ask Nikki Brown to talk about the transition funding and where it comes from. I make it clear that the figure in the financial memorandum for the Public Services Reform (Scotland) Bill is only the core grant for the Scottish Arts Council and Scottish Screen; it does not include discretionary funding which, in essence, is at the minister's discretion. For example, that includes funding for the youth music initiative, the arts and business funding and the Edinburgh festival expo fund. Those discretionary moneys go to the existing bodies and will come to the new body. The financial memorandum for the bill deals with the core money. However, the term "discretionary" does not mean that those moneys are optional. I know that Ken Macintosh is due to ask a question later this week on the youth music initiative, and I do not want to anticipate the answer on Thursday, but that initiative is an on-going project and its funding will continue. However, there are discretionary moneys and they are therefore properly not in the financial memorandum to the bill.

I ask Nikki Brown to say where the transition funding comes from and where it is in the budget.

Nikki Brown (Scottish Government Culture, External Affairs and Tourism Directorate): It forms part of the new Government priorities subline in the creative Scotland budget.

Ken Macintosh: Sorry, will you say that again?

Nikki Brown: Within the creative Scotland budget, which appears at level 3, there is a subdivision for new Government priorities, alongside the programmes that the minister has talked about and the core grant for the Scottish Arts Council and Scottish Screen. The transition costs are part of that new Government priorities line.

Michael Russell: Remember that some of those moneys have already been spent—the moneys that were included in the transition costs in the financial memorandum relate to the overall costs. Some of the moneys are gone. The moneys that are still to be spent are in the creative Scotland budget under the new Government priorities line.

Ken Macintosh: Just to be clear, is that in addition to the £57.5 million, or is it part of that sum?

Michael Russell: It is within the £57.5 million total.

Ken Macintosh: I asked you this question when we talked about the Creative Scotland Bill. Have you thought further about acting to give the new organisation charitable status? That decision, which you could take now, would be of considerable benefit to the new organisation.

Michael Russell: I cannot take that decision; the Office of the Scottish Charity Regulator would have to decide whether the new body was eligible for charitable status. The difficulty, which we have had before, lies in part with the powers of direction. I met the chair of OSCR and Ewan Brown, the director of creative Scotland, and we had a positive discussion. It is likely that the new body will consider the issue afresh when it is founded, but we should be clear that, even if it does not qualify for charitable status, it may still be able to receive the tax and other benefits that accrue to a charity—that is a possibility. The charitable status issue is therefore to be resolved by the new body. Loss of charitable status would not in itself be a financial disadvantage, but there might be financial disadvantages if the Inland Revenue did not recognise it for taxation purposes. Those two issues are slightly different. The issue of charitable status is therefore being pursued. It seems unlikely at present that the new body will have charitable status, but that does not necessarily mean that it will lose the tax advantages that go with such status.

Ken Macintosh: But the Government would not consider legislating to opt the new body out.

Michael Russell: I think that we made it clear that we would not do that. That position is common across the Government.

Claire Baker (Mid Scotland and Fife) (Lab): I will pick up on the cultural collections budget. First,

how is the budget split between the three national institutions? We received additional information on that only this morning, so forgive me if I take a little while to appreciate what figures are being referred to. Will there be a reduction in the grant in aid or the expenditure for the National Galleries of Scotland, the National Library of Scotland or National Museums Scotland?

Michael Russell: I think that you now have the detail of the splits between the national collections, but, if not, I am happy to provide it again. The overall resource is split between the national collections on the basis of their different running costs, capital charges, purchase grants and other capital costs. The largest element for the national collections is running costs. The split for that depends on the relative sizes of the organisations. For example, National Museums Scotland has the largest staff and estate—it has a number of different premises—so it has the highest running costs.

The differences in the split are both practical and realistic in the sense that they relate not only to what is actually spent but to previous developments in the organisations. Purchase grants, for example, are agreed annually with the organisations, but capital grants are made on specific bids, of which there are a number. For example, we are funding National Museums' royal museum of Scotland project, which was started under the previous Administration and which is going extremely well. That is a specific national capital grant project, as is the Scottish national portrait gallery's Scotland's people development, and a digital storage project at the National Library.

The differences in the split therefore depend on the organisations' size and operational costs, and the different projects that have developed. Capital charges are calculated according to the size and value of a body's estates. National Museums has the largest estate, so it has the largest capital charge. There is a top-up budget that recognises those differences. Other, small transfers take place, but the split is essentially based on the actual activity of the bodies, the estate that they own, the work that they do and the plans that they present, year on year, in order to move forward.

Claire Baker: Can you give a bit more detail on the budget transfer of £1.5 million from cultural collections to other arts?

Michael Russell: Yes. There was a long-standing commitment of £12.4 million to Gaelic broadcasting. We transferred £1.5 million from cultural collections to Gaelic broadcasting. I ask David Seers whether that was done last year.

David Seers (Scottish Government Culture, External Affairs and Tourism Directorate): If it was not last year, it was the year before.

Michael Russell: Yes; that is how we met that commitment. As we reviewed the budget for 2010-11, we needed to increase the cultural collections budget, essentially because there was a new capital project within it. £1.5 million needed to be found to go back into that budget, and it has come from "Other Arts". It is a matter of circulating money from one heading to the other—we needed to find a sum from somewhere to plug the hole in Gaelic broadcasting; we are now taking a little bit from elsewhere to plug that hole. I am assured that this is a perpetual activity.

09:45

Claire Baker: It probably is. What areas are covered by "Other Arts"? That is quite general—what work goes on under that heading?

Michael Russell: Let me have a look, so that I can tell you the precise definition of "Other Arts"—it covers a range of things. Broadly, it is money that allows us to undertake a range of activities that we would not otherwise undertake. I have one or two examples of some things that we have done. Essentially, it allows us flexibility in managing the portfolio. For example, we have been able to fund the bookstart initiative in the past 12 months, using about £700,000, working jointly with education. That is a fabulous project from the Scottish Book Trust to provide books for children, and if you do not know about it, I am happy to give you information.

The funding gives us flexibility to do things during the year—mid-year, say—that we might not otherwise be able to do, and which would present some difficulty for the budgets and availability of the Scottish Arts Council and other organisations. We will lose some flexibility, because we have had to reduce those funds substantially, but it still allows us a bit of flexibility.

We have given some additional revenue funding to the Scottish Mining Museum, which it needed mid-year for its survival. We have also been able to fund traditional arts and literature working groups out of the funding. Those were policy initiatives that we needed to take to drive forward the overall cultural policies. I felt that we were underperforming on the literature side, and we needed to focus on why that was. There is a cost in setting up even short-term groups.

Claire Baker: In your opening remarks you talked about the Government's priorities for the budget, in particular the portrait of the nation project. How confident are you about it? I know that we are in the early stages of that project, and that the National Galleries need to raise quite a lot

by themselves—the fund-raising effort is significant. I think that about £2 million has been raised to date, which leaves a substantial balance. How confident are you that the project will stay on track?

Michael Russell: I am in close touch with Ben Thomson, chairman of the National Galleries—I see him on a regular basis. I talk to John Leighton regularly, too. We keep in regular touch about how those who run the galleries are achieving their targets. They tell me that they are confident that their targets will be achieved despite these difficult financial times. We view such work as a partnership activity. We are very keen that the galleries meet their targets, and we are keen to support them in doing so. I am confident that there are people of ability and ambition within the National Galleries, and I am sure that they will meet the targets.

The Convener: In your opening statement, you highlighted the Government's commitment to support for the Gaelic language. One of my colleagues will pursue that with you a little later. Part of that prioritisation affects our national companies. As a result of you shuffling money around—

Michael Russell: Oh, I wouldn't do that—perhaps "deliberate transfers", rather than "shuffling".

The Convener: Okay. As part of that deliberate transfer, £1 million in capital for 2010-11 is coming out of the overall funding for our national performing companies. What will be the effect of that transfer of moneys out of funding for the national companies?

Michael Russell: There is an element of anticipation in any budget. When we create a capital budget over a number of years, we anticipate projects coming forward in a clear, orderly and timed fashion, although they do not do so, sometimes.

The national companies have just finished and opened the wonderful new headquarters for Scottish Ballet. That is a major project. In reviewing the budget for 2010-11, we realised that the spending review that had anticipated certain capital demand for that year had overanticipated the demand, and it was not likely that the capital budget would be used in full in 2010-11 by the national companies. That was perhaps because of projects coming to an end, with new projects not starting yet.

We are absolutely aware of the clear demand for capital works for Gaelic education. That is a constant pressure. The committee, wearing its education hat, will hear about that again and again. It seemed sensible to move an overprovision in one budget to another budget

where we required the money, and that is precisely what we have done. We have retained £1 million in the national performing companies budget to enable us to respond to projects over the next year to 18 months, but £2 million would have been too much in that budget and there was a need elsewhere. I would not call it “shuffling”; I think that we made a sensible strategic decision.

The Convener: As part of that sensible strategic decision, should the national companies in the future propose capital projects that require funding, will the money return to that budget so that the national companies can use it?

Michael Russell: We will judge things on their merits. As the national companies come forward with capital requirements or capital plans, it will be my nature to respond to them as positively as I can. There is not an unlimited amount of money and the national companies will have demands over a period of time. Nevertheless, resources permitting, I hope that we will continue with a stream of investment in the national companies.

One of the great successes of recent years in the arts in Scotland has been the transfer of the national companies to direct funding and the stability that they have gained as a result of that. I do not want to do anything to disturb that stability—indeed, I want to entrench the companies’ excellence, and that will come from continued expenditure.

The Convener: I could not agree more with your latter comments, minister. The decision that was made by a previous culture minister, Patricia Ferguson, to stabilise the future of our national companies is now paying dividends for us all.

Michael Russell: She was very wise to listen to the policy that I proposed in 1999. It only took her a few years.

The Convener: Let us move on. This morning, the committee had its first sight of the level 4 breakdown of funding for each of the national companies. Can you tell us which of the national companies will see an increase in their budgets and which will see a decrease?

Michael Russell: Of course. Mr Seers tells me that they have all received a 1 per cent increase, which seems very equitable.

The Convener: That is helpful. They have all received exactly the same increase.

Michael Russell: They have received the same percentage increase.

The Convener: The National Theatre did not receive any more than any other organisation.

Michael Russell: Not as far as we can see.

The Convener: That is fine. Can you please clarify some of the figures for the committee? It appears that there are some discrepancies, although that may be based on a misunderstanding. The Scottish Government’s website states that the total planned spending on the national performing companies for 2010-11 is £24.75 million, but the planned spending in the 2009-10 and 2010-11 draft budgets is £26 million. Why is there a discrepancy?

Michael Russell: We noticed that, too. The figures on the website were out of date and have now been corrected. The total amount that will go directly to the performing companies in 2010-11 is planned to be just over £24.5 million. The remaining £1.5 million in the budget consists of £1 million of capital funding and a central budget for international touring and the cost of artistic assessors. That is the breakdown. I am sorry about the website, but it does not have that information on it any more.

The Convener: At least you noticed the discrepancy and the situation has been rectified.

Let us go back to the cultural collections. The Government previously said that it wanted savings in the region of £2.2 million to be made in their budget. Can you confirm whether the Government achieved that target? If it did, how did you achieve that saving?

Michael Russell: All the national performing companies are required—as is the whole of the Government—to find 2 per cent efficiency savings for each year of their spending review period. I am pleased to say that the 2008-09 target was met and that each company is working hard to achieve the 2009-10 target, which they expect to do. We are confident that the targets are being met and, indeed, sometimes exceeded. I am pleased with the overall management of the national companies, which has got to the position where it needed to be. That management is now efficient and effective, and it is meeting its targets in every area.

The Convener: I would welcome the companies securing those efficiency savings. However, can you give us a breakdown of how they have been achieved and of how the money is being reinvested in the national companies or another area of the culture budget, which would be equally appropriate?

Michael Russell: Of course. I am sure that the committee will be interested to know that I intend to bring an annual report on the national companies to the Parliament soon, and also to institute an opportunity for Parliament to debate the national companies. It is important that we celebrate their success and look forward to what comes next. I hope that the committee will be able

to participate in that. We will certainly provide the requested information.

Andrew Welsh (Angus) (SNP): Support for Gaelic is given due recognition and I am sure that that will be welcomed and appreciated. How will the budget be used effectively to create a secure future for the Gaelic language?

Michael Russell: That is a very important question. Although there have been considerable recent successes in building institutions, and we have a set of structures for Gaelic that did not exist two generations ago, we have not succeeded in stopping the decline in the number of speakers. It has slowed, but it has not stopped, so we are better and more professional at managing decline. That is not a criticism; it is simply where we are.

We need a sense of urgency about creating a new generation of speakers, and to set ourselves a target of increasing that number. When the budget was being devised, I was keen that that should not be put at risk in any way, and the first issue was to preserve the resources for Gaelic.

The second issue is not exactly an issue within this budget, but I will just explain it. We need to focus the activity of Bòrd na Gàidhlig on actions that will begin to increase the number of Gaelic speakers. I met the bòrd in August and had a very productive discussion. It is now working with Douglas Ansdell and others on an action plan that will refocus some of its resources on specific tasks to start the process of building up the number of speakers. I hope to be in a position to announce the first of those tasks before the end of the year. I also hope to give Parliament the opportunity to debate them early in the new year so that we are all agreed on what we need to do. However, the bòrd needs first to refocus its resources, and to work with partner organisations. I was heartened by the discussions that have been held with Highland Council, Highlands and Islands Enterprise and a range of other organisations that are working together to create that new generation of speakers.

Andrew Welsh: Gaelic has made great strides in recent times but, as with all language teaching, continuity, access and repetition are crucial. How can the improvements be consolidated and advanced? We have made great strides in encouraging people to learn Gaelic, but how can we use that as a platform to advance into the future?

Michael Russell: I am not sure that we have made big enough strides in encouraging people to learn and get involved in learning; that is a continuing issue.

This is not rocket science. Throughout the world, languages die every week: that is the reality. There is nothing God-given about Gaelic. It might

just eventually die. We need to learn from the experience of people elsewhere about how we teach language to people so that they can become fluent in a reasonable time. I am a wonderfully visible example of how not to do it. I have been learning Gaelic for 30 years and am not particularly wonderful at it. It would have been far better if I had learnt Gaelic in the same way as I was taught to swim, which was to be taken to the deep end of the Troon open-air swimming pool in the freezing cold and dropped in the water. It made me swim; I do not know how many children they lost.

We need to immerse people in the language and give them opportunities—we do not give people enough opportunities—so that they can learn to do it reasonably quickly. We also need to make sure that the circumstances in which they can use the language are as many and varied as possible. All those are my ambitions for our Gaelic policy; we now need to focus on how to do it.

We also need to persuade people that it is important, not because we want to force people to learn a language—no one will be forced to learn a language. First, it is part of our cultural inheritance. If we do not take it forward, no one else will; it is our responsibility. Secondly, it is a matter of human rights. There is a population of people in Scotland who have Gaelic as their language, and we are essentially taking action that will remove it from them so we are right to help people with this.

There has been some recent controversy in the press about my decision to give resources to the Royal National Mod to appoint a Gaelic development officer in Caithness, and one or two people have made fairly extreme statements. The reality is that no one in Caithness is going to be forced to learn Gaelic, but people will be given the opportunity to enrich and develop their skills, and people should welcome that opportunity, not criticise it.

10:00

Andrew Welsh: I am not sure about your teaching methods. Tapadh leibh.

Michael Russell: You speak Mandarin—that is a great advantage over us.

Andrew Welsh: I try.

Ken Macintosh: Demand is substantial and growing, particularly in Gaelic schools, for stand-alone schools. Recent announcements have been welcome. Will the budget be able to meet demand in Dingwall, Portree, Glasgow and elsewhere?

Michael Russell: We will do our best to meet demand. For example, no local authority that has applied for a Gaelic-specific grant has been refused. However, the situation is difficult. If Mr

Macintosh can persuade his colleagues in London to increase resourcing of the Scottish Government, I will be one of the first people to ask for more of that resource to be applied to Gaelic. However, within the confines of what we have, we do our best.

Ken Macintosh: Do you have a plan? Have you worked out with Bòrd na Gàidhlig how many schools need to become all-Gaelic schools in the next few years?

Michael Russell: That is for local authorities to decide. With Bòrd na Gàidhlig, I am putting together a plan to ensure that the board's resources focus on creating new Gaelic speakers. The education resources in local authorities—I had extensive discussions about that in the Highland Council area in the summer—focus on building their offering. When the resource was made available—we talked about the capital of £1 million that we transferred, rather than shuffled, from one place to another—it was quickly and readily applied to those purposes. We are doing our best in the circumstances, but we would of course appreciate your support for attracting more resource from elsewhere.

Ken Macintosh: Given what you have said, I take it that if local authorities receive no Gaelic-specific grant, that is because they do not apply for it.

As you suggested, the future of Gaelic is in new learners and not just in supporting Gaelic in the Gaidhealtachd. Do you have a plan to encourage local authorities to put in place provision for Gaelic learning in their areas if they have not yet done so?

Michael Russell: I do not, because we want at present to ensure that local authorities that are undertaking activities do them better and more intensively, in order to build demand. I think that 21 local authorities have applied for Gaelic-specific grants.

Douglas Ansdell (Scottish Government Culture, External Affairs and Tourism Directorate): That is correct.

Michael Russell: Douglas Ansdell deals with the matter. All such local authorities have been given the grant. Where demand exists, we want it to be met.

Elizabeth Smith: I will pursue that point in relation to ring fencing for some local authorities. Is the table that gives us the local authority spend based on the percentage of the population in the areas that speaks the language or does it reflect the demand for new projects?

Douglas Ansdell: The allocations are based on bids from local authorities. As Elizabeth Smith knows, some authorities have more significant

Gaelic education provision than others. We respond accordingly.

Elizabeth Smith: That is important in relation to the ring-fencing argument, because I understand that some local authorities will not receive Gaelic money in the next budget year but will receive money in the year after. Is that correct?

Douglas Ansdell: We have made allocations only for this year and the year to come—2010-11. We have made no considerations beyond 2010-11.

Elizabeth Smith: Am I right in thinking that some local authorities that do not currently receive money will receive money in 2010-11?

Douglas Ansdell: No.

Elizabeth Smith: Is that correct?

Douglas Ansdell: We will be open to receiving new bids, but we have received none yet. At present, the authorities that receive grants this year will be the authorities that receive grants in the year to come.

Elizabeth Smith: To be clear, bids from local authorities determine the spend—the decision is not based on population numbers.

Douglas Ansdell: That is correct.

Elizabeth Smith: The figures reflect exactly what local authorities want to do.

Michael Russell: All the authorities that submitted bids in 2009-10 received support. The allocations are not based on whether an area has X Gaelic speakers, whereas another area has none. So far, when authorities have made bids, they have received support. We intend that such funds will remain ring fenced for the spending review period.

Aileen Campbell (South of Scotland) (SNP): I want to ask about the "Other Arts" budget line, which has already been touched upon slightly. The draft budget shows that £4.8 million was set aside for "Other Arts" in the 2009-10 budget, but the figure for 2010-11 is only £2.8 million. Where will that £2 million difference come from? We have been given the breakdown for arts research and new Government policies, but which part of that budget will see the greatest reduction?

Michael Russell: Essentially, the reduction will take away a substantial degree of our flexibility in being able to respond to demand and need. Requests and requirements for additional resource always come in for a variety of projects, but we will just not be able to respond to those as we did previously. As I mentioned, £700,000 is being given to the bookstart project and £120,000 of additional funding is being given to the Scottish Mining Museum. There are also costs for the

traditional arts and literature review groups. That resource has been very useful to us. Having been on both sides of the fence, I am reasonably aware that MSPs often ask why we are not helping this group or that group. It is important that we have, for such things, a small resource that we can draw on occasionally.

Aileen Campbell: How have the agencies that you work with responded to the need to deliver smartly and within the tight settlement with which we are now living?

Michael Russell: They have responded very impressively and realistically. People realise that we are now in different times. They want to be more effective and more efficient. As members will be aware, when I first spoke about creative Scotland to the arts and culture stakeholders at the Lyceum shortly after I was appointed, I made it clear that every arts organisation has a duty, in so far as it is possible, to take money from the back room and to put it into the front room. That is particularly true of the Scottish Arts Council and Scottish Screen, and it will be true of creative Scotland. We need to ensure that the maximum amount of resource is focused on delivering for clients, and that is what people are trying to do.

Of course, that is very much in line with creative Scotland's priorities. As members will know perfectly well from having scrutinised the Public Services Reform (Scotland) Bill, creative Scotland's priorities are about investing in creators, artists and participation. People want to ensure that the money is out there doing that.

Aileen Campbell: We have talked a bit about Gaelic, but can you outline the Government's commitment to Scotland's other traditional art forms and languages?

Michael Russell: We have a traditional arts working group, which has gone very well. I am also in the process of finalising some initiatives on the Scots language—which is, we must bear in mind, also our responsibility—which I hope we will take forward over the next six months or so. After the traditional arts working group reports to me—which will be within the month, I think—I will bring forward proposals on traditional arts that we will discuss fully with creative Scotland as the merger takes place. We will look at the recommendations of the traditional arts working group and the literature working group—I hope that the literature group will also have an effect on Scotland—to see what we can do in the short term and to build the remaining recommendations into the plans for creative Scotland.

Christina McKelvie (Central Scotland) (SNP): The level 3 budget figures show that the Historic Scotland budget has been changed slightly. Can

you enlighten us on what impact that will have on Historic Scotland for the coming year?

Michael Russell: We have felt it necessary to reduce Historic Scotland's budget for 2010-11 by £0.5 million. That will be a difficulty for the organisation, which makes intensive use of its resources due to its large expenditure on staffing and on maintenance of properties. As we all know from the widespread recent publicity about the National Trust for Scotland's difficulties, this is a difficult time for managing historic buildings. Christina McKelvie played a blinder—if I may say so—in helping to save the David Livingstone centre, but other attractions have not been quite so lucky. In all such circumstances, I am conscious of the difficulties.

However, a silver lining is that Historic Scotland has been remarkably successful this year in increasing money from visitors and in raising its income generally from its activities. I have been very impressed by that. I think that the management of the organisation is such that the effect of the £0.5 million cut can be substantially mitigated by that success. That increase in income has also allowed the organisation to fund one or two initiatives that it might not otherwise have been able to fund. For example, it is funding the Scottish 10 initiative—something that I am very keen on—which involves the digital recording of Scotland's five world heritage sites and an offer to record five elsewhere in the world. Essentially, that project will be funded this year and next from that increased income. By and large, I think that the organisation is going the right way and the difficulty of the £0.5 million reduction will be to some extent offset by the organisation's ability to generate its own income.

Christina McKelvie: Over the past few months, the NTS has become much more open to working with organisations such as Historic Scotland, and Historic Scotland has learned some lessons from what the NTS is going through at the moment. Are you encouraging organisations to work together to support each other during this difficult time?

Michael Russell: I am very positive about that. Last night, I was at an event that involved Historic Scotland, the NTS, private owners—there is significant private ownership of significant houses and sites in Scotland—and a number of other heritage bodies, conservation architects and so on. All of us recognise that there is a new imperative to work together. It is quite wrong to think of the NTS and Historic Scotland as being in competition: they are not; they are complementary. If you visit a National Trust property and there is an Historic Scotland property nearby, the odds are that you would want to visit that as well.

The organisations need to grow together in terms of marketing, and we are considering closely how that can be done. They also need, along with the private owners, to grow together in terms of conservation skills. If we share those skills across the sector, we will get a bigger bang for our buck and we will also ensure the highest quality conservation.

We must also all grow together in terms of access issues—not just access to physical properties, but access to the richness of our national collections such as the libraries, the archives, the museums and the galleries. The opportunities that are now available to us to provide digital access to artefacts in Scotland are huge.

If I might be allowed a shameless plug, I should say that the Royal Commission on the Ancient and Historic Monuments in Scotland has just launched a website called ScotlandsPlaces. If you do nothing more today than spend five minutes on it, you will discover that it is an amazing innovation. Essentially, you can choose places in Scotland and find out an amazing amount of things about the heritage in that area. At some stage in the next year to 18 months it will be blended with the ScotlandsPeople website, which means that people will be able to research their family trees by accessing a lot of information about areas. We are at the cutting edge of giving people digital access to our heritage. We want to continue all those things.

The Convener: I am glad that you gave RCAHMS a plug. I am, like you, a huge supporter of its work. However, I was concerned to see no mention of the body when I looked through the budget. When the committee got the level 4 figures, I saw that it featured in them. Where exactly does RCAHMS sit in the budget headings?

Michael Russell: It is under the cultural collections heading. I think that John Hume and Diana Murray would have been at me if I had forgotten to give them £4.6 million—I think they would have noticed. RCAHMS is an important part of our activity. It sits in the cultural collections heading along with the museums, the galleries, the National Library and other bodies, such as the Museums Council.

The Convener: What level of increase in funding has RCAHMS had?

Michael Russell: You ask questions that require me to consult my papers.

Mr Seers informs me that there has been a slight decrease in funding, I am sorry to say. It has gone down by around £80,000. I am happy to write to you with further details. There will be a reason for that, and I think that it is best if we explain that to you in writing.

The Convener: That would be helpful. What does that decrease mean for the plans that RCAHMS has to establish a new central store? Will it be able to deliver that?

Michael Russell: That would be a capital project. Storage is an interesting issue, which was discussed at some length last night. It is an issue that it is easy to put off because it is not glamorous or sexy. However, we are completing a store at Granton for the National Library and I believe that we have given RCAHMS some money for an interim solution this year. Is that right, Mr Seers? Is it the case that we are involved in some research in that regard?

David Seers: I can find out those details.

Michael Russell: We are doing some research on the matter. I have asked the bodies to think about how together they can approach the issue of storage.

Last night, I raised an issue that was raised with me in India, in the context of Indian museums. We may be thinking about this in the wrong way. Glasgow has showed how things might be done. We may be thinking about it as a difficulty or embarrassment that we do not show things to people; however, we should be thinking about the great richness that we have, which we need to show to people. The open museum idea in Glasgow, which has attracted worldwide interest, is something that I would like to discuss here.

So, the issue of storage is on the agenda not just for RCAHMS, but for the National Library of Scotland—the library's storage needs are growing all the time—National Museums and National Galleries of Scotland. Working together is probably the way in which we will solve it.

10:15

The Convener: Storage is a key issue for RCAHMS. If it cannot improve its storage facilities, we could risk losing some of the great things that it currently holds. It is also in danger of not being able to accept other collections that may be offered to it because it simply cannot store more. How much of the cultural collections budget has been allocated for capital? Will there be sufficient to cover a proposal, even if it is for a shared facility?

Michael Russell: There will not be a proposal for a major storage facility in the next 12 months. The collections will require some time to decide what facilities they need. A resource has been applied to research on storage. You will also find that there are proposals coming from RCAHMS for what might happen over the next 12 months to relieve the pressure a little.

The convener raised an additional important point. At some stage, we will have to discuss the criteria that we apply. It is an alarming statistic that there are 277 A-listed buildings in Scotland that are on the buildings-at-risk register. Simply saving everything that we have because it is important is not an adequate response; we must decide on priorities. The Parliament knows that people like to give institutions things such as paintings, but they are not always things that the institutions should accept. They may be unwanted or the burden of having them may be too great to be borne. There are questions that we must ask ourselves in that area, which are part of the growing debate that we are having. I am pleased with the open debate that the cultural collections, Historic Scotland and others are now having about such issues. I think that it is very positive.

The Convener: Why do you think that RCAHMS is unlikely to come forward with a proposal for storage? I understand that, even prior to 2007, RCAHMS was requesting a storage facility, had earmarked a site and was clear about its requirements. Why is it impossible that RCAHMS will come forward with such a proposal?

Michael Russell: That is because I have made it clear that the only possible solution to storage problems is a collaborative effort, not an individual effort. I do not think that it is possible or wise to provide an individual storage solution for each part of the portfolio. We now have to grow together.

The Convener: Okay. Thank you for that clarification.

Ken Macintosh: I have one final question. Sorry, minister—you were just about to pack your bags and go.

Michael Russell: I am used to Mr Macintosh's final questions. It is fine.

The Convener: I am sure that the minister would have been disappointed if you had not asked one, Mr Macintosh.

Michael Russell: Yes, but I could have lived with my disappointment.

Ken Macintosh: Have you put in place efficiency savings plans for each of your areas of responsibility?

Michael Russell: It would be presumptuous to say that I have done so, but I am certain that the officials who are responsible have done it. Laura Petrie, from Historic Scotland, is nodding vigorously. I know that all the public bodies have those plans.

Ken Macintosh: At what rate do you expect to save money and will it be reinvested internally in each of the departments, or will it be pooled and redistributed centrally?

Michael Russell: David Seers will answer that.

David Seers: In line with the general Government policy on efficiency savings, all the savings will be reinvested in the body in which they arise. For example, the efficiency savings that the National Museums Scotland makes will all be reinvested in its front-line services.

Ken Macintosh: Have you estimated the impact of any savings on jobs or on whether positions will be filled—that is, on the head count in your department?

Michael Russell: No. When the convener raised the issue, I indicated that I was happy to write with details of efficiency savings. In the light of your questions, perhaps we should provide a more comprehensive response that also deals with those issues.

Ken Macintosh: In particular, could you give us an idea of the number of posts that may be affected, both within the department and in the organisations that fall within your remit?

Michael Russell: Whatever the number may be, it will be less than the 3 per cent efficiency savings that other parties were seeking. Our 2 per cent efficiency savings are central to how we operate.

Ken Macintosh: Possibly, but often employment accounts for the largest part of the budget. I imagine that any savings that you make will have an impact, so it is important that we know what that will be.

Michael Russell: We have operated a policy of having no compulsory redundancies. That continues to be the Government's policy.

Ken Macintosh: Indeed. That is important for individuals. However, in terms of the impact on culture and policy, it is important for the committee to know which areas are being protected, which are losing staff and so on.

Michael Russell: I would be happy to give you an overview of the staffing situation. I am pretty sure that it is being managed well, efficiently and effectively by each of the institutions.

Ken Macintosh: I certainly hope so, but I request information to support that assertion. In your opening remarks, you indicated the areas that you have prioritised. How does that support economic recovery, which is the Government's overall priority?

Michael Russell: It does so in a variety of ways. You will be aware of the huge multiplier that is associated with cultural investment. That applies right across the board. In the case of homecoming Scotland, we aimed for a multiplier of eight. I am sure that many of the studies that exist on cultural investment will show that the resources that we are putting into the two separate organisations

now and will put into creative Scotland from next year will pay enormous dividends. A couple of months ago, I issued some information that refocused some of the effort that creative Scotland was making for precisely that purpose: for example, the innovation fund was redesigned to focus as closely as possible on regeneration, especially economic recovery. That was folded into some of the discussion that took place on the economic recovery plan.

Gaelic is a longer-term issue. My view coincides with the work of people in Skye and, to some extent, the Western Isles in the 1970s and 1980s—I am old enough to have been there as part of that movement—who argued that the development of cultural and linguistic self-confidence would lead to economic growth. Bodies such as Stòras Uibhist, the community land purchase body in South Uist, view Gaelic as an enormously important part of the process of economic, social and cultural regeneration. Investment in Gaelic is also investment in the most fragile areas, which may be some of the areas that have been worst hit at this time.

Ken Macintosh: I agree that culture can make a huge impact on the economy. I wanted to ensure that your department had built in that consideration; it sounds like you have, in certain situations.

A discussion is taking place on the impact of the deflator that has been built into Government calculations. It is argued that the figures were based on a deflator of 2.5 per cent, but that the deflator is likely to be 1 or 1.5 per cent. Has your department tried to recalculate figures based on a more accurate deflator?

Michael Russell: No. That is a matter above my pay grade. I will leave it to Mr Swinney, who, as the finance minister, is much better able to make those calculations than I am. He might resent my pretending to be finance minister.

Ken Macintosh: Your remit crosses a number of committee responsibilities. Where does the referendum appear in the budget? We are not quite sure which committee will pick up the issue. I cannot see funding for it in the First Minister's budget.

Michael Russell: It is not in the culture budget. I think that Mr Swinney will answer for it.

Ken Macintosh: So it is not part of your budget.

Michael Russell: It is not in the culture budget—it is in the external affairs budget.

The Convener: That concludes our questions to you. Thank you for your attendance. The meeting will be suspended until 10.30.

10:25

Meeting suspended.

10:33

On resuming—

The Convener: We return to the second item on our agenda, which is continued consideration of the Scottish Government's draft budget. The committee has been joined by Fiona Hyslop, the Cabinet Secretary for Education and Lifelong Learning; Colin MacLean, director of schools; Andrew Scott, director of lifelong learning; Sarah Smith, director for children, young people and social care; and Chris McCrone, head of education, lifelong learning and finance branch. I thank the cabinet secretary and her officials for joining the committee this morning. I understand that the cabinet secretary wishes to make an opening statement before we move to questions.

The Cabinet Secretary for Education and Lifelong Learning (Fiona Hyslop): I want to begin by giving committee members a sense of how I have prioritised spend in the education and lifelong learning portfolio to meet the demands of the current financial and public expenditure circumstances.

As members know, the draft budget for 2010-11 was published against the backdrop of a significant squeeze on public spending. The Scottish Government's departmental expenditure limit budget will reduce by 0.9 per cent in real terms compared with this year. That is the first real-terms cut in the Scottish budget since devolution and is a consequence of two main factors. First, the Scottish Government, with Parliament's approval, accelerated £347 million of capital expenditure from 2010-11 into 2008-09 and 2009-10 to counter the effects of the recession. That has helped to boost the economy, but HM Treasury requires an equivalent budget reduction in 2010-11. That, together with the reductions as a result of consequentials, leaves a reduction of about £500 million. Those pressures in 2010-11 are the first part of a sequence of pressures on public finances in the medium term, which are well known. The decisions in the budget take into account the medium-term outlook and the priorities that the Government has established.

Our priorities as a Government are to protect front-line education and health services and to promote economic recovery. We are protecting front-line services, notably in health and education, with £1.78 billion of support to the further and higher education sector and sustained investment in our schools and other local services. Education and lifelong learning are central to the economic recovery programme, given the focus on supporting jobs and communities, strengthening

education and skills and investing in innovation and the industries of the future. Our skills and training response to the economic downturn—the ScotAction programme—focuses on all three of those. The budget also secures programmes that help to protect households at a time of economic hardship. In education and lifelong learning, we have a range of learner support measures, such as student awards, education maintenance allowances and individual learning accounts, that provide financial support to hard-pressed individuals and families.

As the cabinet secretary with responsibility for the skills, learning and employability of people in Scotland, I have protected spend where we need it most, which is on training and skills. The education and lifelong learning portfolio has secured a £53.3 million, or 2.2 per cent, cash increase on 2009-10, which is a £16.3 million, or 0.7 per cent, real-terms increase. A key part of our approach is through ScotAction, which is an integrated package of skills training to help individuals and businesses. Underpinning that is funding of £198.2 million for Skills Development Scotland, which supports individuals and businesses, particularly those that are affected by the downturn.

We remain firm in our commitment to tackle the disadvantage and adversity that some children face by giving them the best start in life through the delivery of the early years framework. The education and lifelong learning budget is investing £103.8 million in its early years and early intervention agenda in 2010-11. The implementation of the curriculum for excellence, which is the biggest development in Scottish education in a generation, is supported by investment of £132.9 million. On capital spend, I have secured a £10 million increase in capital investment in the school estate in 2010-11.

Where possible in the draft budget, I have also protected spend to recognise the central role of our colleges and universities in supporting economic recovery and preparing for the upturn. We are investing £1.78 billion in further and higher education. We are also helping students in Scotland to overcome financial barriers through the funding in the draft budget to underpin improved student support measures that build on existing support, including the abolition of the graduate endowment fee and a move from loans to grants for part-time students. I will make a statement to Parliament this afternoon to outline the detail of that new package.

There have been unavoidable tough choices, and there will be more to come as we consider how to achieve our aims of economic recovery and economic growth in a difficult financial climate. The draft budget is the last budget in the current

spending review period. The question of how we prepare in earnest for the next spending review is critical, but members will understand that it also means that there are limitations on commitments beyond the 2010-11 financial year. I will work closely with stakeholders to guide our decision making. I welcome all constructive contributions from them and other parties.

I see that we are joined by Andrew Welsh. In commending the Finance Committee's report "Strategic Budget Scrutiny" to the Parliament, he said:

"The budget process for 2010-11 takes the Scottish Government and Parliament into new and potentially very challenging territory. We are now in a different environment for spending and must face up to budget constraints that have never been witnessed in the lifetime of the Parliament."—[*Official Report*, 10 September 2009; c 19523.]

I am happy to answer any questions that the committee has.

The Convener: Thank you for that opening statement. In your answers to some of the committee's questions, you might provide some level 4 information about the budget. However, the committee has decided to request a breakdown of those figures from the two ministers who are appearing before us today. We have already asked Mr Russell for that information and he has supplied some of it. However, it would be helpful if, following the meeting, you provided a level 4 breakdown of the budget for all the areas for which you are responsible.

Elizabeth Smith: Good morning, cabinet secretary. I preface my remarks by saying that I fully understand the financial pressures that you are under. However, I heard you say in your opening remarks that you want to protect the front-line services commitment, which is absolutely right. The number of teacher training places, which is a hot political potato at the moment, is obviously crucial for the delivery of front-line services. Can you therefore explain the thinking behind your severe financial changes to the teacher training budget?

Fiona Hyslop: Clearly, we want to ensure that we can pursue quality teaching and learning with the curriculum for excellence and with our manifesto commitments on class sizes and so on. As the Convention of Scottish Local Authorities acknowledges, we funded local government to maintain teacher numbers at 2007 levels. Obviously, that has been the subject of a great deal of questioning in the Parliament. Subsequent to that funding allocation, local government has not replaced retiring teachers at the rate at which we expected. However, we understand the increasing pressure that local government is under in trying to meet the demands on its services

during the recession. We have still managed to reduce class sizes, despite teacher numbers being reduced, but we think that it is unacceptable to continue recruiting students for initial teacher training at the same rate as we had planned, given the number of teachers who are still trying to find employment.

It was therefore decided that, in order to rebalance the situation and check the reduction in employment opportunities for post-probationer teachers, it would be sensible to reduce teacher training numbers. Our first opportunity to see the census information for this year was in March. Thereafter, I moved quickly to reduce teacher training places for this autumn by 500. That does not affect the four-year bachelor of education course, because forecasts for teacher retirement indicate that we will need a continuing, steady supply of teachers in the future. We reduced the numbers for the one-year postgraduate course in particular. We recognise that there will be number issues next year, too. Members will see from the budget figures that we will reduce teacher training provision on the baseline of previous provision. The committee will see in the figures that there is a £9.7 million reduction in the teachers line.

We are conscious that we must ensure that we keep capacity for the future. Next week, I will meet Universities Scotland, all the teacher training institutions, the Scottish Further and Higher Education Funding Council, the General Teaching Council for Scotland and COSLA to ensure that, in managing a difficult year in which tough choices must be made—that is why we are taking the decisions that we are—we can maintain training capacity and think about how we can share responsibility for that so that it does not lie disproportionately on a few individual education institutions.

I know that that is quite a long answer, but it probably covers the areas that I am sure the committee is concerned about.

Elizabeth Smith: Thank you for that, cabinet secretary, but I would like to pursue the issue. I understand that tough choices must be made, but the reduction of £9.7 million in the teachers budget line is substantial. That budget line includes teacher training and continuous professional development, which are two separate matters. Is the balance of the £9.7 million reduction mainly due to the reduction in teacher training numbers or to reducing the money for the continuous professional development of existing staff?

Fiona Hyslop: I am clear that the reduction should focus on the numbers of initial training students. I will give you an example of my thinking. Because teacher training institutions got only short notice of our decision to reduce teacher training numbers by 500 this year, we maintained the

amount of money that they received. However, we said that any savings that they made from training fewer students should be focused on CPD. One of the things that I am looking to do—it is part of the discussions that I will have with the deans of the education institutions, the Scottish funding council and Universities Scotland—is to decide what opportunities we could use in the difficult year of 2010-11 to be creative in enhancing CPD in relation to the operation of the curriculum for excellence in schools. We want to use the existing capacity, and not necessarily downsize the numbers of students in our faculties of education, because we want to ensure that we still have an uplift if teacher retirement numbers in the future are what we expect them to be. I do not think that CPD has been as big a part of initial teacher training as it should have been, and my decision this year should give the committee some comfort that I believe that CPD should be given more attention than it has had to date.

10:45

Elizabeth Smith: I would like to pursue the issue of the numbers of teaching jobs that are available. A year ago, you set up a joint working party to ensure that there would be better discussion of the issues. Can you explain how you have gone about forecasting not only the total numbers of teachers who will be required at different levels, but the numbers of teachers who will be required in the various subject areas and within supply teaching and permanent teaching?

Fiona Hyslop: We inherited a workforce planning system from the previous Administration. The working group examined whether that was fit for purpose and decided that, by and large, it was, but that it was reliant on local government giving information about what it anticipates in the future.

In the system that I inherited, the census material was completely out of kilter with the forecasts that had to be given to universities. For example, at the turn of the year, the Scottish Further and Higher Education Funding Council would be given information that would then be discussed with the deans of faculty when they were deciding what the following year's intake should be. However, the information was based on a census that was produced in March, which meant that the information was completely out of kilter. We have rationalised the situation by bringing forward the census, so that it will be published in November, which will ensure that it coincides with the forecasting.

By and large, it is primary teaching posts that are being reduced, which causes a particular pressure. There is some reduction in secondary teaching posts as well, and there will be corresponding pressures in certain subjects.

Another thing that came out of the assessment of the workforce planning system is that we have a far better system of forecasting in Scotland than exists in the rest of the UK.

Between us, Adam Ingram, Keith Brown and I have met all of the 32 councils since May. In doing so, we have discovered that the decisions not to re-employ teachers were made not at the start of the year but as the year progressed and councils came under other financial pressures. We have tried to ensure that there is far more effective communication about what is happening in councils. They must take responsibility for telling us what is happening at their level. They should not be 1,000 teachers adrift from what they were funded for. That is a considerable difference. One council alone accounted for 200 of those teachers.

If you are interested in the planning model, we can give you information on it in writing.

The system has to improve and we are improving it. One of the key things is to coincide the production of the census material with the time when the deans of faculty make their decisions. Under previous Administrations, when budgets were big and there was an expanding teacher workforce, that was less important, but it is vital in the difficult year of 2010-11.

Elizabeth Smith: I accept that, up to a point. The people who are at the front line are the 1,000 teachers who have been out of work and the probationers who are finding it extraordinarily difficult to get work. They are not encouraged by the fact that the figures suggest that their front-line development is under the axe. If you could persuade us that the process by which knowledge is gained about available jobs is improving, we would have a little more confidence.

The feedback that I am getting from the unions and the GTCS is that there is concern that people who are seeking jobs are finding it difficult to find out what is happening in the marketplace. There is an issue about cutting spending when the problem seems to be that people who are seeking teaching jobs are having difficulty finding out what is going on.

Fiona Hyslop: First, there are not 1,000 unemployed teachers. The most recent statistics, from September, show that around 650 are seeking jobseekers allowance—I will correct that later if I am wrong—which represents a smaller percentage than is the case in England and Wales and Northern Ireland. I acknowledge, of course, that that will not satisfy the individuals concerned.

You are right about ensuring that they know what jobs are available. The local government recruitment portal should make that information quite clear. However there is an issue in that a disproportionate number of those who are seeking

jobs are in the central belt, as opposed to where some of the jobs are. We welcome mature students who come into the teaching profession, but we understand why they might be unlikely to move. Four local authorities are responsible for 54 per cent of the reduction—three of them are North Lanarkshire Council, Renfrewshire Council and Glasgow City Council—and that is probably all based around people who trained at Jordanhill, so we can see where the mismatch is.

We are looking at reducing supply to provide better opportunities in the marketplace for those who are seeking jobs. You are, however, right to identify CPD for immediate post-probationers, and we are discussing with directors of education how we can provide on-going CPD or opportunities for post-probationers while they are seeking employment to ensure that they are keeping their skills up to date for when they eventually get into employment.

We are not reducing CPD in the budget; we are addressing the supply of teachers. Part of that is about ensuring that people know about the job situation, and the census information from November will give us a much better idea of where we are with that. If members get feedback that individuals are finding difficulty within any particular local authority, please let know and we will ensure that we free it up somehow.

Margaret Smith (Edinburgh West) (LD): I seek clarification on something that you said, cabinet secretary, when you talked about the general reduction in teacher numbers, for which there are a number of reasons. You talked about your decision to reduce the number of professional graduate diploma in education—PGDE—places by 500. I think that you then said that there are going to be further reductions to the baseline. What will that mean in terms of numbers?

I hear what you are saying about the figure being 650 and not 1,000. I am sure that not everyone is entitled to jobseeker's allowance. Anyway, we are still down a sizeable number of teachers. I think that I am right in saying that when your party was in Opposition, and during the first year or so of your Government, you and Mr Swinney stated that there were going to be large numbers of new teachers and extra teachers, and they were going to be linked with specific services that were going to enhance education. I can think of two examples off the top of my head: literacy and numeracy, and school discipline. On one occasion we were promised an extra 3,000 teachers. If we have not had those teachers—we have actually lost somewhere between 650 and 1,000 teachers—what is your estimate of the impact of that on the service generally, and specifically on those issues that were the subject

of particular promises about what extra teachers could deliver?

Fiona Hyslop: We must bear in mind the fact that we have directly funded an additional 100 teachers this year to help with curriculum for excellence. That has helped to provide new employment opportunities for those who are seeking employment.

You are right to say that improving the pupil to teacher ratio by reducing class sizes can have an impact, particularly on literacy and numeracy in the early years, so we welcome the fact that, despite the reduction in the number of teachers, primary class sizes are now at record lows. That is an achievement.

You are also right about the implications and the cost of not maintaining the number of teachers at the levels that we would like. There has been improvement, but the rate of that improvement has not been as great as I anticipated. However, we must acknowledge that we are in different times than we were in in 2007. There have been big reductions in the number of classes with more than 25 pupils in primaries 1 to 3, which helps with literacy and numeracy.

We hear from the teachers and their unions that it is easier to control discipline in smaller classes. We have seen that in primary schools, and we will look into secondary schools as well, particularly in some areas in secondary 1 and 2. We are looking at English and maths in S1 and S2, although we have yet to see the outcomes from that. We are focusing on literacy and numeracy for S1 and S2 and P1 to P3, and we are still improving, although perhaps not at the rate that I would have liked since coming to power in 2007.

Margaret Smith: My first question was on clarifying the baseline.

Fiona Hyslop: We still have to get the census information from November. I cannot tell members now what the figures for 2010-11 will be, because they will be part of our discussions with the deans of faculty once we have a clearer idea of the position from the information from councils. However, we have brought forward the process so that we have better information. I cannot give members definitive numbers, but the 2009-10 figure is 3,650, which is well above the previous baseline. We are probably looking at a reduction in 2010-11 and going back to the levels of around 2000-01. We are not talking about a figure that is very different from what we have previously had under devolution, but it will be significantly different from what we anticipated.

It is absolutely right that we should get things back into kilter. Post-probationers who are seeking jobs deserve no less than to get one. However, we must ensure that we have a better system. We

rely on information from councils, and the accuracy of that information is important. I hope that the committee agrees that we need to ensure that accurate information is delivered.

Margaret Smith: Information about the number of teachers who might retire is notoriously difficult for you and us to get our hands on. What numbers are you scoping for that?

Fiona Hyslop: Part of the approach is keeping in touch with the Scottish Public Pensions Agency. A lot of the information that we get about the number of people who are putting off retirement is still not definitive. We have anecdotal information from councils. Over the summer, I spent a lot of time discussing with councils whether they want to and how they could introduce early retirement schemes that would free up resources so that new teachers could be employed. However, we are not talking about an exact science.

One concern is that there is a very limited period for people to give notification of retirement. Members will notice that that concern is included in the employment working group report. I have asked directors of education to try to get a better handle on individuals' retirement plans. Often, they do not know from month to month what the position is. Of course, the changes in retirement rules mean that there is far more flexibility in respect of when teachers can retire. We have projections, but I am not satisfied that we have a system that is as good as we need it to be.

Perhaps I have taken quite a harsh position, but I would much prefer us to have a better indication of when teachers will retire. That will need to be subject to negotiation with the unions. If we say that 20 per cent of over-55s are due to retire, members will have an indication of the problem, but that does not necessarily say what is needed local authority by local authority. That said, the number is still substantial. That is why keeping capacity and concentrating on primary education and four-year training in particular are important. Obviously, trainee teachers will not come into the marketplace for another four years. That is strategically and tactically a better way of approaching things.

The Convener: I want to move on to the children and young people and social care budget, particularly the workforce and capacity budget allocation. I understand that it is projected that the overall workforce and capacity budget will reduce by £3.4 million in real terms. Given that there is considerable policy activity in that area, particularly in relation to the registration of all social care workers and to children's hearings system reforms, why will there be such a substantial real-terms cut in spending in it?

Fiona Hyslop: Much of that was anticipated. There are also resource and capital lines together, which has an impact. The change was always intended to fall in year 3 of the spending review primarily because of the refurbishment of the Scottish Children's Reporter Administration's property portfolio nearing completion. In addition, the getting it right for every child agenda, which I know the committee has taken a keen interest in, has moved from the development phase to the implementation phase. It is clear that the delivery of getting it right for every child comes, by and large, within local authorities' budgets for children and social work, so national spend on it has been limited.

If you are asking whether we have made any changes in 2010-11 that were not anticipated in 2007-08, the answer is that we have not. We always anticipated that that budget would fall, but for understandable reasons, and not in workforce development, in which you are interested.

I ask Sarah Smith whether there is anything else that I have not covered on workforce development.

11:00

Sarah Smith (Scottish Government Children, Young People and Social Care Directorate): No, cabinet secretary. I think that the key point is the projection of the decline in capital spend for the SCRA. In fact, that has been delayed slightly. We are spending more this year, but the decline for next year had always been projected and we expect to be on track for that spend to fall off. That is the primary reason for the fall in the workforce and capacity line.

Fiona Hyslop: I understand that that line falls by £2.9 million, so the bulk of the reduction about which you asked, convener, is covered by that one item alone.

The Convener: If most of that reduction is in the capital spend, is there still a smaller reduction in the workforce and capacity spend?

Fiona Hyslop: There is not particularly, because the issue would be the getting it right for every child programme. The reduction is in national developmental activity, as opposed to anything in front-line services, which workforce and capacity issues relate to. I have nothing that would give me any indication that there is pressure on workforce and capacity budget lines, which is your area of concern.

The Convener: That is one of the reasons why it would be helpful for the committee to have the level 4 detail. It is difficult for us to make a judgment and an assessment without that information. If we could get it in advance of next week, minister, that would be helpful.

Fiona Hyslop: I think that we have previously corresponded on level 4.

The Convener: According to the figures in the budget document, the safer children, stronger families line is reducing by £0.9 million in cash terms. That line includes the implementation of the Protection of Vulnerable Groups (Scotland) Act 2007. The new Disclosure Scotland line is given £0.9 million, which suggests that the money has simply been transferred across budget lines. Is that the case? The budget document says that the money for Disclosure Scotland has come from the third sector budget. Therefore, it is not clear what the reduction of £0.9 million in the safer children, stronger families line represents.

Fiona Hyslop: There are sufficient resources in that line and within our overall budget, but you are asking about the technical movement between budget lines. Perhaps Sarah Smith might like to help with that one.

Sarah Smith: It might look like the £0.9 million has been transferred from the safer children, stronger families line, but that is not the case. We used to fund the central registered body in Scotland to do the disclosure approvals for Disclosure Scotland from another budget, not the enterprise and lifelong learning budget. We made the transfer and reflected it in the budget. That is the £0.9 million in the Disclosure Scotland line.

The reduction in the safer children, stronger families line relates to what the cabinet secretary said about the move from the development stage of the getting it right for every child programme. We have had intensive development in Highland and a range of other pathfinder areas. We are just getting the evaluation from the Highland pathfinder. It makes encouraging reading, and I hope that we will shortly be able to publish it and share the outcomes.

We have worked intensively in a few areas, so we now need to draw out the lessons from that work and share them with local partners throughout Scotland. Therefore, we do not need to make quite the same level of investment in the getting it right for every child programme as we had done in the intensive development phase. That is the reason for the drop in that line.

The Convener: If that is the case, will the cabinet secretary confirm whether spending on young people in social care is still a priority for the Scottish Government?

Fiona Hyslop: Yes it is, absolutely. However, in a number of areas, we are moving from national development to local implementation. Therefore, some of your questions apply primarily to the local government budget area, which has had a 2.8 per cent uplift for 2010-11 under the budget review.

The reductions in the budget lines that we are discussing are substantially explained by the SCRA capital change, which we have gone through. The rest of the changes simply relate to ensuring that what we have been doing at national level is implemented locally.

You are absolutely right to ask whether the spending on young people in social care is still a priority. The answer is that it is. We are starting to see some of the very good impacts and effects of the early intervention strategy in GIRFEC, but I know that we will come back to that.

The Convener: Do you understand, cabinet secretary, that it is difficult to balance the Scottish Government's words about spending on children and young people being a priority with the overall reduction in real-terms spending? You say that there has been an increase or uplift in local government finance, but you are relying on councils' spending the money as you want. It is entirely up to local government to decide how to prioritise spending on children and young people, is it not?

Fiona Hyslop: Yes it is. It was also the case under previous Administrations that a lot of development work was done by national Government, but the provision of child protection and support was delivered by local government. That has always been the case. There has been no change there.

As I explained, the £2.9 million capital reduction accounts for the bulk of any changes. It was forecast from 2007 onwards that that movement would take place and that there would be a falling line because of it. That is not an unreasonable explanation of the reduction. It is a marginal reduction that is explained, by and large, by one item from SCRA and the capital budget line.

The Convener: On SCRA, I have a specific question about reinvestment of the money that you got from efficiency savings. I think that the total was about £1.029 million. How was that money reallocated to meet ministerial priorities and how were those savings made?

Fiona Hyslop: You are talking about efficiency savings. The reinvestment of efficiencies into services has happened across the piece on a regular basis. The figure that you quoted was £0.19 million—

The Convener: It was £1.029 million.

Fiona Hyslop: All the efficiencies that we have made within different areas have gone back into the services, as we anticipated and expected. We sometimes deal with larger movements within budgets in year, but those resources have been put back into services. Perhaps Chris McCrone can help us with the efficiency line in particular.

Chris McCrone (Scottish Government Finance Directorate): No, convener. I would be unable to see where the money was reallocated. I had assumed that it was reallocated within the same budget lines. It was not moved to other budget lines.

Fiona Hyslop: I think that what you are getting at, convener, is whether we centralised the savings and used the money elsewhere. We will happily come back to the committee quickly with some information.

The Convener: That would be helpful. It is not that I want to doubt your word, cabinet secretary, but we only have your word to take for it and it would be helpful if we could see some more information.

Colin MacLean (Scottish Government Schools Directorate): I will try to help. In each case, efficiency savings would be retained within the organisation in which they were made, so we see organisations delivering more for the money because they have made efficiency savings. For example, with the investment in glow and its use in schools, we expect people to be able to access more learning materials more efficiently, so that will lead to some efficiency savings. Universities and colleges will do other things to make their work more efficient. The Scottish Qualifications Authority has been more efficient in how it works. In all cases, the organisations keep the money, but they will identify it as money from efficiency savings.

The Convener: I appreciate that, but I seek further clarity. I will use HMIE as an example. The Government has said that HMIE's work to achieve efficiency savings is based on the number of days on which an inspection is carried out. However, the number of inspections is increasing, so it does not necessarily follow that efficiency savings are being made. Some clarity about how efficiency savings are achieved and what services that money is used to deliver would be of great benefit to us all.

Fiona Hyslop: I think I see where your questioning is going. Colin MacLean's point is helpful: the approach that we have taken is that departments or other organisations—you will be aware that we have a number of them—work out themselves how to achieve and apply efficiencies. HMIE is an interesting example. In child protection, which we have discussed, we are now on the second round of inspections. We are now looking at more proportionate inspections. That is exactly what is happening around the schools agenda. Your assumption seems to be that somehow there are more inspections, which will mean that inspections will cost more. I do not think that that is necessarily correct.

I am not sure that we can provide this information at short notice—I assume that you need to get it reasonably quickly—but it would be helpful if we approached individual organisations, whether the funding council, the Social Work Inspection Agency, HMIE or individual departments, to get examples. On the amount that you are talking about, the efficiencies have been secured in their own area. Part of the incentive is that organisations' efficiencies are deployed where they are made. I thought that you were asking whether we were gathering up efficiencies as a lump sum that could then be distributed towards a particular focus. The answer is that we are not doing that.

The Convener: There is a real lack of clarity around this, minister. It is not that I do not think that Government departments are trying to achieve efficiencies; it is just very difficult for the committee to scrutinise whether efficiency savings have been made, because we do not have any figures for them or information on how they have been achieved and how that money is reinvested to improve services in another way.

Fiona Hyslop: Absolutely. Accountability in that is very important.

Margaret Smith: I apologise for going back to stuff that has already been covered to an extent by the convener. There remains a lack of clarity about what is happening with the funding for some Government policies on which we have done some work and which have our backing and cross-party support.

I refer to the care and justice section in table 4 in our briefing paper, which refers to outcomes for looked-after children—an issue in which I have been involved in the past—kinship and foster care and preventing offending by young people. Some of those spend-to-save policies are important in relation to children and young people's opportunities. In the section on positive futures, the table refers to preschool education. We know that there was a lot of good stuff in the early years framework but no new funding was provided. On the issues that I have mentioned, it is difficult to be able to drill down to see whether the warm words are being backed up by any extra resources. On the basis of our briefing, it does not look like they are.

If you can tell us where we would find that information, whether it is within the local government tables or level 4 figures that you can give us, that might give us some reassurance. It is unclear from the figures whether the rhetoric that we have been getting on fundamental issues has been backed up by resources.

Fiona Hyslop: I completely appreciate where your questions are coming from. I have been a

member of a committee and I have sat where you are sitting. The nature of many of the things that you are talking about means that they are not funded and delivered from the ELL budget but through the local government settlement. You cited the examples of kinship care, preschool education and the early years framework, the vast bulk of which are delivered and funded through local government, as they should be. That is part of our agreement with local government. All those things are identified in the concordat with local government. It is acknowledged by local government that the funding and resources for them has been put into the local government settlement. That is why you have seen record levels in the local government settlement for those areas in particular.

You are trying to identify where the things that you mentioned are in my budget lines. Much of what is there is to do with the national developmental work, which is done by civil servants, who are already paid for. I presume that they come through the admin budget, which I suspect is administered through the First Minister's portfolio—that is where the staffing issues are. There are staffing issues for some of the work that we do. I am not sure whether members are aware that a large number of professional advisers are seconded to national Government to deal with a lot of issues, for example to do with curriculum for excellence, in which we have teachers, headteachers and social work professionals, who also work on care and justice.

Some of the responsibility for the budget lines that relate to justice lies with the Cabinet Secretary for Justice and, as you might expect, a lot of the responsibility for early years—pre-birth to five—falls under the health budget. Some of the work that we are seeking to do on early years will achieve a better alignment between health and local government on early years issues.

11:15

You mentioned efficiencies and issues around cost-effectiveness. One example of that is the early and effective intervention practice that was implemented in Fife, Dundee, Renfrewshire, Edinburgh and Glasgow. An evaluation of that practice found that in three of those areas, it delivered non-cashable savings of £300,000 over 12 months. Some of that will be in the budget lines for offending, which will appear not as partly the responsibility of ELL, but in the local government budgets under social justice and criminal justice activities.

I am not giving you the answer that you want, but I share your frustration because I have been in your position, trying to drill down. You really need

to drill down to local government budget spends, in the national local government settlement and in individual local authorities' budget settlements, with regard to how those funding streams are delivered.

Margaret Smith: I will come at the issue from the opposite direction. On some of the issues, the Government's motivation is not only to improve service but to spend to save. You say that, in some cases, you put the money in, but it then goes into other departments. What reassurance can you give us that these things are properly audited further down the line, to ensure that the money is being spent in the best way to achieve what you want not only in terms of the service but in terms of the most effective use of the money? It is obvious that a number of departments are involved and that where something begins is not necessarily where it ends up, in relation to cabinet secretaries and departments.

Fiona Hyslop: That is a fundamental question about how we assess the effectiveness of the budget, particularly as we are entering a period in which we acknowledge that there will be greater pressures and less resource. In the past, there has been an automatic assumption that the more money is put in, the better the outcome is, but that is not necessarily always the case.

You ask how we can guarantee the effectiveness of spend—whether it relates to child protection, early years or criminal justice issues—when it is delivered to the front line. Obviously, Audit Scotland has a powerful role in examining how resources are spent in relation to inputs; its 2006 report on the teachers agreement was a good example of that.

One thing that emerges from the series of HMIE inspections into child protection—and which SWIA has identified from its own inspections in relation to the wider social work agenda—is that there is not necessarily a direct correlation between higher spend on social work and child protection services, and better outcomes. That raises a fundamental question about public services and where we want to go to see what can be delivered.

We need to rely on the independent audits that are undertaken by SWIA and HMIE, and the joint inspection processes in child protection. When the national report is produced, we will need to consider the lessons that have been learned from all those inspections. There is an important question about how we get better outcomes; they might not necessarily be easily measured by how much money we put into the area.

A big issue is how we measure outcomes in early years in particular. Part of that policy area falls under the responsibility of health, which tends to be subject to types of audit and inspection other

than the ones with which I am familiar in my portfolio, so we need to consider how we use those processes most effectively.

Perhaps I say this because the convener of the Finance Committee is with us today, but I think that that is one of the issues. I know that it can be frustrating. We talk about the local government settlement and about the end of ring fencing and how it is important that local authorities spend to their local priorities, but how do we ensure that they are delivering what the taxpayers of Scotland expect? That is where we are increasingly reliant on the quality of inspection.

We want to ensure that the money is spent for a purpose. With regard to the single outcome agreements, if we examine the national performance framework, we increasingly find that the area of destinations for 16-year-olds, for example, is measurable. A number of people can contribute to the delivery of that policy, but quality assurance in relation to how we assess single outcome agreements is important.

I do not underestimate the increasing importance of strategic inspections, evaluations and scrutiny. I know that the committee is considering those matters and you are right to identify their importance in child protection. A fundamental issue is what the Parliament should and could be doing to scrutinise effectiveness—cost effectiveness is not always scrutinised. Given that in 2003 there was a 10.9 per cent increase in the budget, it is perhaps easy to understand why people measured success according to how much money was put in, but increasingly we must measure performance on the outcomes that we get.

Andrew Welsh: I think that an old problem of financial scrutiny is occurring here. There is talk of drilling down and a lack of clarity, but the real issue is how accessible the information that you are asking for is. There is a danger of smaller and smaller amounts of information being sought, which is itself inefficient. It is better to get clarity about what information is being sought, why you seek it and how accessible and worth while it is. There is a danger that you can get lost in the minutiae instead of getting the overview. It can be unfair, because if we ask a department to chase minute amounts of information, it obscures rather than clarifies the process. It is an old problem that is faced when undertaking financial scrutiny and it could be a danger. I would ask how accessible the information is and how much time would be consumed in chasing it.

Fiona Hyslop: I am not sure whether you are referring to the convener's question about pursuing the £1.029 million of efficiencies that were redeployed within areas and asking how cost effective it would be to do that. Once that money is

spread across large organisations, there are still efficiencies to identify and I agree with the convener that people want to know that that is happening, but the issue is how that is done in a way that is not overburdensome.

We ask questions—surveys, pieces of research and statistics are coming out of our ears, but I question who looks at them and uses them. With the committee's approval, we must identify the key things that we want to know. We want to have rolling information, we want to be clear about the direction and we need to have accountability, but the industry of statistics collection is not necessarily helpful for better scrutiny.

That is why, certainly from my perspective, the qualitative and in some cases quantitative analysis that is carried out by HMIE and SWIA in their joint inspections on child protection and Audit Scotland's work provide us with more meaningful judgments on what we want to do. Graham Donaldson of HMIE's three-yearly reports on Scottish education are powerful documents that the Parliament can use to hold the Government to account—they are more meaningful than screeds and screeds of statistics. In the early years framework, for example, we are looking at better indicators and outcomes in order to get a better understanding. It is right that the committee asks questions about chasing efficiencies of £1.029 million, but you are right to say, "Look, how much would it cost across all the departments to try to find that money and account for it?" It is more important to look at some of the big numbers and measure the outcomes of what we are doing.

Christina McKelvie: Good morning, cabinet secretary. I will focus your attention on the general capital grant that is going to local government. As you explained earlier, there is an adjustment in that for 2010-11, because we brought forward the capital spend on school buildings and refurbishment to address some of the challenges that we face as a result of the recession and the need to keep people in jobs. What impact will that have on the school rebuilding programme and on local authorities' ability to carry it out? What will be the impact of the money that you announced a few weeks ago for the additional 55 schools?

Fiona Hyslop: In my introduction, I said that I am constrained as we are looking at the 2010-11 budget for the ELL portfolio; a lot of the questions that you have posed are not about 2010-11 and are not about the ELL budget. It is for the Local Government and Communities Committee to address some of those issues with the Cabinet Secretary for Finance and Sustainable Growth, which it has no doubt done.

For your information, the bulk of the acceleration of capital—I think that it was about £100 million for local government—supported new build or major

refurbishments in school buildings. Indeed, a number of new schools were brought forward by a year. That helped to support jobs; 5,000 construction jobs were supported by accelerated capital spending alone, which was welcome. The development is not limited to the schools portfolio. However, the convener may want me to keep to that portfolio.

The Convener: Absolutely.

Fiona Hyslop: There was about £19 million of capital acceleration for colleges and universities. That meant that Coatbridge College was able to start a year earlier than it would otherwise have started, which helped to support jobs in the area. Generally, our capital spending in the college and university sector is actioned quickly. Recently, local construction workers were employed on major refurbishments and new build at Langside College and Anniesland College in Glasgow. Such spending helps to support the economy. That is why I echo colleagues' calls for capital to be brought forward into 2010-11 from future years; all of us should support those calls. Westminster should bear in mind that, just last week, stats showed that we are still in recession, so there is still a lot to do.

I was asked about the announcement of additional resources for 55 schools. Of those resources, £10 million is available in the 2010-11 budget for immediate use. The resources could be used most effectively in primary schools. We should remember that, in 2008 to 2010, £2 billion of investment is available in the local government budget for capital spending alone. That is why many local authorities are able consistently to provide traditionally capital-funded schools, which is protecting jobs.

The question is wide ranging and covers another committee's responsibilities. I have tried to highlight the schools element and the colleges and universities element of the capital budget.

Claire Baker: I have some questions about the student support budget. For the best part of a year, I, along with many others, have been pursuing the issue of how we will spend the £30 million in that budget. We await the cabinet secretary's statement this afternoon on the decision that has been taken. I would like to know where that £30 million sits in the budget. The "Fees, Grants and Bursaries" line has increased by 17.2 per cent, but £40 million of the increase is a technical transfer from the Scottish Further and Higher Education Funding Council. That explains why there has been a significant increase in that budget line. Can the cabinet secretary point to where the £30 million fits into the budget?

Fiona Hyslop: It is in the lifelong learning budget lines. The large amount of £40 million is a

technical transfer from the funding council to the Student Awards Agency for Scotland. I invite Andrew Scott to address the technical aspects of the question and, in particular, to identify the budget line for student loans. The resources are there. The £40 million to which Claire Baker referred sticks out like a sore thumb because of the four-year process of changing how universities are funded, but it is a technical adjustment, rather than a policy adjustment.

Andrew Scott (Scottish Government Lifelong Learning Directorate): It is worth saying that the £40 million that is being transferred has always been and will continue to be received by universities—it is simply a question of who pays them. Previously, the £40 million resided in the funding council budget. In previous years, it was transferred by means of an in-year transfer from the funding council to SAAS. Because the transition process is now complete, we are consolidating the funds completely within the SAAS budget. No one is any better or worse off—it is simply a question of who pays. The money used to be in the SFC budget and is now in the SAAS budget—that is all.

Fiona Hyslop: In the 2010-11 budget, the £30 million to which Claire Baker referred appears as £24 million, because the sum relates not to a full academic year but to a partial academic year, from October 2010.

11:30

Claire Baker: So it is £24 million. Does that sit in the “Fees, Grants and Bursaries” line?

Andrew Scott: Yes.

Claire Baker: I have another question linked to that, about the efficiency savings that have been running over the past three years. They come to £12.5 million, and they arise mainly from a fiscal drag on the parental income thresholds. They have not been keeping pace with inflation. What happens with those £12.5 million of savings? The suggestion might be made that, with that level of savings in the student support budget, the £24 million is just being used to give students their own money back.

Fiona Hyslop: As you know, the fees and support budget lines lie within the most complex area of public finance—certainly that I have come across. We should emphasise that the funding is demand led, so there are variations from year to year. Even in the past year, there looked to be a 10 per cent increase in university applications. That has now dropped down, as there have been an awful lot of early applications—many people have been applying for student support online. If we take last week’s figures from the Universities and Colleges Admissions Service, there is now an

increase of 5.5 per cent, but that is still a significant increase. The budget line must be able to cover that. There can be quite a variation in the number of applications, even from one year to the next, and any available resources can go back into SAAS. If the resources are not used at the end of the year, they can be deployed elsewhere, but people apply for resources during the course of the year. The bulk of that relates to this time of year—to the summer and the start of the university and college year.

Andrew Scott: That is right—there are various sources of efficiency. SAAS has been investing in its computer systems, which will improve its efficiency. There have been various efficiencies in the funding council, for example through the way in which research is procured. There have been various improvements in the intrinsic efficiency with which student support is provided, primarily in the transfer from loans to grants. Grants do not carry the debt servicing charge that loans do.

Claire Baker: What monitoring does the Scottish Government carry out of the impact of the £12.5 million of efficiency savings coming out of the student support budget as a result of there being no shift in the parental income thresholds? The suggestion is that students have fallen out of the support system, so fewer students from lower-income backgrounds have access to the support.

Fiona Hyslop: A whole load of different changes are taking place, not least with regard to means testing, which I know you and the committee have taken a great deal of interest in. We did a survey—and we shared the information with the committee—on the impact that the changes to means testing would have on people seeking hardship funds in future, who will no longer be subject to means testing. Those changes could have more of an impact even than the threshold changes that you have been asking about. I was staggered by the fact that there have been very few approaches to universities as a result of that.

There are further changes that you should bear in mind. Correct me if I am wrong, but you are asking not about 2010-11 but about the experience to date.

Claire Baker: I think that about £6 million of efficiencies out of the £12.5 million fall into 2010-11.

Fiona Hyslop: We should make you aware that we, like the UK Government, have put a freeze on some of what would normally be an uprating of the grants and bursaries that are provided. That is more than offset, however, by what we are about to announce to Parliament this afternoon.

You are correct to identify that there is a bigger figure for 2010-11 than there has been for the

previous two years. However, that is not directly because of the thresholds that you are talking about. It is also to do with another measure that we have taken, as has the UK Government. In difficult times we must tighten the belt somewhere, and this is one of those areas.

Claire Baker: I have a further question about college bursaries. Before the recess, we had a debate in the chamber about colleges, and the issue of bursaries came up. There are reports that some colleges have fully allocated their bursary pot, and there are concerns about Christmas school leavers and whether there will be enough money in the system to support students who enter college during the course of the year. How confident are you that the budget settlement can cope with those pressures in the coming year?

Fiona Hyslop: The increase in the resources that are available for colleges and universities is significantly above the rate of inflation. Recognising the uplift that there has been in universities in particular, we are in a far stronger position than we might otherwise have been in with respect to next year's budget, particularly given the real-terms cut. It is helpful to have a real-terms increase in the budgets for both sectors.

However, you are right that we must keep a close eye on the situation. In fact, last year, the Association of Scotland's Colleges commended the funding council for responding within three weeks after the pressure on bursaries was brought to the council's attention. In-year adjustments have been made. Interestingly, last year, a number of colleges and universities did not seek any changes, so there was variation among the institutions. It is important that the funding council remains alive and responsive to the situation, and it has assured me that it is. It is in discussions with and getting feedback from colleges and universities about what has happened immediately, once students have applied, and is considering how to respond to that.

A criticism that is sometimes made is that much of the provision is based on previous years' experience, which is why things sometimes get out of kilter. I suspect that that is why, last year, some colleges and universities clearly had pressures on their hardship budgets, but others did not. Much of that comes back to the experience in previous years. This year is particularly volatile because of the recession—there is more demand and in certain areas, more older women with child care responsibilities are going to colleges and universities because they have been made redundant elsewhere. Therefore, I will discuss with the funding council how a reliance on previous years' data helps the council to respond effectively. The council might have to be a bit more flexible in how it responds. Colleges and

universities are clear that they like formula funding that provides them with a regular income stream, but there needs to be more adaptation within that.

Elizabeth Smith: You said that you are making funding available to cope, in a recession, with the 10 per cent increase in the number of students. I have the impression that the universities are deeply concerned about their lack of income, which is affected by the present public sector pensions crisis. The universities need to pay out a huge amount of money to sustain their pension payments and they therefore face considerable pressure to ensure that additional income comes in. That will complicate the issue and make it much more difficult for you to balance the books for university education. You commented that Andrew Cubie is entitled to his views, but yet again he has made a very important point about the funding of higher education institutions. You make it clear that the Government will face incredibly difficult choices, and the pension crisis is making things much more difficult. Where will the Government get the money from to increase the number of students at university while retaining the quality of education for which Scotland is renowned?

Fiona Hyslop: You raise several issues. One reason why we are providing support for increased student numbers is to increase flexibility in relation to acceptances by universities in the STEM subjects—science, technology, engineering and mathematics. I completely agree with the view that universities and education generally are part of the solution in our approach to economic recovery. You might criticise the increasing numbers going to universities, but we have to provide support primarily for increases in student numbers in science, technology and engineering, which are the right places for those students to be.

On the wider issue of pensions, I am happy to consider any information that you wish to provide subsequently on your point about public sector pension payments. However, I make it clear that universities are independent, autonomous institutions. The majority of them do not rely to any great extent on Scottish Government funding—they have their own funding streams. We must be careful not to take on 100 per cent responsibility for the liabilities and responsibilities of all universities.

Elizabeth Smith: I accept that, but let us be honest. We are looking to increase the number of students for the reasons that you have given and, obviously, we want to retain the quality of delivery, because otherwise we would not be doing our job properly. This is all coming at a time of a very tight budget settlement. How are we going to achieve those aims, given the circumstances of the budget?

Fiona Hyslop: There are two different issues. The first is what should be done immediately to deal with the increased number of applications. We anticipated that the number would increase during a recession, as has happened previously. I think that the increase in applications from people who have been made redundant, who are seeking to retrain perhaps to enter another career, is a good thing that should be responded to during times of recession. On the question whether student numbers can continue to increase without any tempering whatever, I tend to agree that, over the medium to longer term, we need to look at where that might take us and which subjects we should provide support for students to take up. However, we need to respond to the here and now, so I think that we are doing the right thing in supporting those students at the moment.

On pensions, remember that the terms and conditions of university staff are dealt with through UK negotiations. I am trawling my memory, and I think that fairly soon after we took office in 2007-08 we provided an increased funding settlement for universities of about £20 million—I will correct that information subsequently if that proves not to have been the case—in part precisely to address the pensions obligations that formed part of the pay settlement and which universities knew they would incur last year and this year. If the question alludes to the value more generally of the pension funds—the value of stocks and shares has an impact on the assets or pension pots of universities—I caution that we should be very wary about the state taking responsibility for that. I will not accuse the Conservatives of taking a nanny-state approach, but I suggest that we need to respect the autonomy of those institutions in the financial management of their affairs, including their pensions obligations. We can take, and have taken, some responsibility for meeting the obligations contained in the terms and conditions that are negotiated between unions and principals, but there is a wider issue about how universities manage their finances in total.

It is absolutely correct to say that we need to look at how we go forward. I was very pleased that Professor Steve Smith, who is the president of Universities UK, recognised in his speech to the organisation's annual conference in Edinburgh that the comparability of funding between Scottish universities and English universities is not an issue currently. We know that there will be a wide-ranging review at Westminster not just into whether the cap on fees should be removed but into wider funding issues. However, as I have said previously on timing, any changes that are introduced are unlikely to take effect until 2012-13. I also warn the committee that, in reflecting on where we might be in future years, we should remember that there is a big danger that there will

be a change not to the overall income of universities down south but to the balance between what the Government provides and what is sought separately. That would not give English universities a competitive advantage, although it would have an effect on us through Barnett consequential, in that if less public money goes to universities from the UK Government, we will suffer as a result.

We will come back to those issues, which I know the committee is interested in, but they go wider than what we are meant to be considering today—I am sure that the convener wants to keep me in check—which is the draft budget for 2010-11. We have increased the proportion of the budget that goes to universities from 3.73 per cent under the previous Administration to 3.87 per cent under this Administration. We are resourcing universities, as we said we would.

Elizabeth Smith: The real point—this is indeed a matter for the budget—is that we need to look at the long-term financing of universities and higher education institutions. I think that you have just admitted to that. Is it the Government's intention to ensure that that process starts now? It is important that we ensure that we have the right number of people who want to go to university and who get in on merit while maintaining the quality of service delivery. That is a budget issue. Can we have it on record that the Government is looking at that in the medium and longer term?

11:45

Fiona Hyslop: We have looked at, and always will look at, how the sector is funded. In the context of the forthcoming Westminster general election, we know that different parties expect to make different levels of cuts. Indeed, there seems to be a competition between having savage cuts and having nearly savage cuts.

The Parliament will have to take a long look at the immediate impacts on the limited pot that we receive, which is a fixed budget. We need to know what that fixed budget is likely to be for future budgets. If you are asking whether we will look at the numbers of students going forward and the quality of provision to ensure that we have world-class teaching and research in our universities, the answer is yes. However, we will be in a better position to assess how we will do that once we know the consequences for public sector funding, and I think that we will have that information as early as next summer.

I am reassured that, although it was criticised at the time, the quick work that we did with the joint future thinking task force has allowed us to make swift decisions that have helped to take the edge off some of the recession pressures that we might

otherwise have faced. More important, it has helped to focus money for economic recovery in the seven key sectors of the economic strategy. That is why money has gone into universities for the creative industries and into training provision for some of the other skills in those key areas. We were criticised for doing that at the time, but the benefits are materialising in the current academic year as opposed to later.

Ken Macintosh: Let us continue with the area of lifelong learning. One of the biggest gains in last year's budget was the agreement that was negotiated by Labour that there would be an increase of 7,800 in the number of modern apprenticeships. That has been costed at £16 million in the budget documents, but can you point me to the table in which that can be found? Is it under the Skills Development Scotland budget? That budget is falling.

Fiona Hyslop: There are two points. First, as I recall, Labour voted against the first budget in which the creation of an extra 7,800 modern apprenticeships was proposed. The proposal was put forward by Labour but we agreed with it and would have gone ahead with it whether or not Labour had supported the budget. We are implementing that policy.

Secondly, it is correct that the resource for the policy is in the Skills Development Scotland budget line. However, if you look at previous budgets you will see that it was always expected that the Skills Development Scotland budget line would reduce—not least because we have been improving the efficiency and effectiveness of the organisation. There were many criticisms of the old Scottish Enterprise, with calls for efficiency and effectiveness, and Skills Development Scotland was formed out of approximately half the staff and a third of the budget of Scottish Enterprise along with other organisations. The efficiency savings will not be made in front-line services and will not affect the commitment to create an extra 7,800 modern apprenticeships—indeed, £16 million is committed to supporting that. That policy will go ahead.

This year, the funding for SDS is £204 million; next year, it will be £198 million. Both those figures include the £16 million. The reduction in the SDS budget line reflects purely and simply the expected realisation of reductions in staffing levels, administration costs and so on. The training budget lines, whether in this year's budget or in next year's budget, have not been affected. There will be a reduction of £6 million, but that was always expected. The £16 million is secure this year and next year.

Ken Macintosh: Two questions follow on from that. First, how many of the extra 7,800 modern apprenticeship places have been filled? Secondly,

although you say that the significant reduction in the SDS budget will have no impact on front-line services, how many jobs will be lost? Will those be posts in the careers service? Where will those cuts be made?

Fiona Hyslop: It was expected that the operational line for training budgets would be protected. You will have heard the criticisms that have been made in the chamber about the spend on bureaucracy in such organisations, the number of public sector employees and all the rest of it. Skills Development Scotland has refocused its whole operation, although that does not mean that it is reducing its front-line services. I made it clear to SDS that I did not want to see any reductions in front-line service provision in schools, for example. The bulk of the reduction will be in the line for staffing levels, and there has been a significant reduction in the number of staff in SDS, which accounts for that change. You cannot get efficiencies and reform public services without looking at staffing budgets, which is what has happened here.

On the 7,800 apprenticeship places, next week I will make a statement to Parliament about progress on ScotAction generally. Around 2,000 are anticipated for retail, 600 for management, 1,000 to help with the Commonwealth games and other construction activity in Glasgow in particular, 1,400 for health and social care, 500 for hospitality and tourism, 410 for food and drink and 460 for financial services. I emphasise that one of Scotland's success stories is that the quality of our modern apprenticeship is recognised because it has employed status. Obviously, however, we cannot guarantee that all the required employers will come forward to enable those places to be filled—I have had a discussion about that with John Park. However, every effort is being made to ensure that they do. The contracting is being finalised, and I will be able to give fuller details next week.

Ken Macintosh: I look forward to next week's statement.

I would like further information about what is happening at Careers Scotland. I understand what you are saying in that regard, but it is of great concern that, although the Government is supposed to be prioritising economic recovery, one of the key agencies—which SDS must be regarded as—is suffering such a large cut in its budget. You insist that SDS is not a front-line service, but the people in those posts are providing a service directly to those who need it most.

Fiona Hyslop: Yes. That is why I asked Skills Development Scotland to focus on those youngsters who need its support, particularly those who need more choices and more chances.

Ensuring that support for 16 to 18-year-olds is in place is important, as is ensuring that SDS supports partners to deliver the 16-plus learning choices programme.

There is a fundamental question about what we expect from careers advisers. We are launching the latest development in curriculum for excellence, which focuses on building skills. We have to ensure that young people are equipped for a world that might be quite different from the way it is today. Unlike people in previous generations, when young people today leave school, they will not necessarily get a job that they will stay in for the rest of their lives. We must rethink what teachers can do in schools and what careers advisers can do. They must not only provide ideas about what someone might do when they leave school at 16—although that is important, as people want to secure immediate employment, where possible—but ensure that their advice is about developing the individual and identifying the various skills that they can develop. It is absolutely right that Skills Development Scotland be involved in that rethink.

In the past, there have been criticisms from parents and businesspeople who have been dissatisfied with what was being provided to young people, as it was felt that the system was a wee bit dated. It is right that thinking about careers is refreshed and made far more relevant to the world that we live in.

You spoke about those who need the service most. It is with those people in mind that we have developed the 16-plus learning choices programme, the activity agreements and the work that we are doing to help reduce youth unemployment among those in the more choices, more chances group. I am keeping a close eye on the levels of youth unemployment. In a time of recession, that is a matter of concern to all of us. In the coming weeks, I will speak to Jim Knight, the UK Minister of State for Employment and Welfare Reform. We are monitoring what is happening across the UK. By and large, so far, unemployment in Scotland has not increased as much as it has done elsewhere. I acknowledge that that is not satisfactory for those who are unemployed.

You will be familiar with the future jobs fund. One key step is to target support on young people in particular. Again, as part of its responsibilities, SDS will be taking on skills and training support in that area as well. It is right that SDS is refocusing a lot of its activity to deal with the recession and to look at ways in which we can work more closely with colleges and universities in making sure that we have an improved skills and training outlook. That was what we were trying to do when we set

up Skills Development Scotland, because people were not satisfied with the way things were.

I know for certain that individuals in Careers Scotland were left in limbo for many years because there was no indication of where they were going as part of Scottish Enterprise. An organisation is not born overnight. SDS is in the process of establishing itself and is doing so at a time of recession. Bringing together four organisations would be quite a stretch at any time, but SDS is doing that at a time when it must respond quickly to tackle the apprenticeship and other challenges that it faces. There are a lot of pressures, but SDS is dealing with them.

Ken Macintosh: I acknowledge some of the cabinet secretary's comments and agree that the careers service that we provide through Skills Development Scotland needs to provide the best careers advice. It may need to be refreshed, but that should happen in the organisation anyway. It is difficult to understand how an £8 million cut in its budget and the loss of tens, if not hundreds, of posts is needed to refresh an organisation or to improve the services that it provides. It does not strike me as logical to ask teachers to provide the service. The service may need to be shared, but asking teachers to provide it does not strike me as a way of asking SDS to improve the service and advice that it provides to young people.

The minister says that she wants to emphasise the more choices, more chances agenda, but the line for that has been cut. I do not understand how she can claim that it is a priority when its budget line has been cut by £1.5 million in real terms.

Fiona Hyslop: A lot of different budget lines, including the colleges line, support delivery of the more choices, more chances agenda. This year there have been capacity issues with some of the initiatives that we are pursuing. There is support for the agenda in a number of budget lines. I assure the member that, if we look at all the portfolio activity in the area, we will find that far more attention and resources have been given to the issue.

Everyone recognises that we can improve the careers offer that is available to our young people, especially in schools. Most of it will be done through the professionals in Careers Scotland who can deliver that activity, but parents expect teachers and others who express opinions on subjects or the application of knowledge in the wider world to have an understanding of the careers that are on offer. One big challenge is to equip teachers—at primary as well as secondary level—not to be biased to their experience but to be open to the different careers and opportunities that are available more widely. We should not apologise for that.

It is right that organisations should look at their budgets. We are asking the civil service to do that, as the admin budget reductions that are anticipated for 2010-11 show. We must all look at how we conduct our work and how we can work more effectively—that is not unreasonable. SDS has done that; right from the start, it has looked at the provision that is available.

If the member can provide me with evidence from his constituency or elsewhere that service delivery has been reduced in an area, I will be more than happy to look at it and to respond to him—it would be the opposite of what the organisation has told me. As I said, resources have been maintained and £16 million has been provided for training projects. We have preserved and promoted training programmes, but we expect SDS, like other organisations, to become more efficient and effective in what it does. By and large, it will do so by dealing with backroom services rather than front-line delivery. If the member has evidence of concerns about front-line delivery, he should let me know.

Ken Macintosh: It has been reported to me nationally, rather than locally, that Careers Scotland has undergone many changes and that many jobs have been lost. Those jobs have not been at the top level, and efficiency savings have been made not behind the scenes or in non-front-line services but through the loss of quite large numbers of important staff who deal with advice and are involved practically in the day-to-day running of the service.

I do not disagree with the view that teachers and others in our society should provide a good service and the best advice. However, the setting up of Skills Development Scotland was a key development, with the idea of establishing one career service for all ages. I do not think that reducing its budget or asking others to deliver its services can be viewed as supporting the organisation.

12:00

Fiona Hyslop: We are not asking anybody else to deliver the service. One of the success stories of Careers Scotland has been its international recognition as a service for all ages. The focus on 16 to 24-year-olds means that that service does not happen only in schools. Increasingly, a lot of that activity happens in the more choices, more chances partnerships in hot-spot areas where we have large numbers of young people not in education, employment or training, which is exactly where the focus should be.

There are genuine questions to be asked. Should there be blanket provision of services from Careers Scotland, with the jam spread thinly, right

through the all-ages service? If not, should we focus on particular areas during the recession?

Ken Macintosh: This is a budget scrutiny process, and my concern is that the minister is asking what the evidence is for something. People have approached me because they are concerned about the careers service and the changes at SDS. We had an evidence session with the new chief executive of SDS, who could not describe his efficiency savings to the committee in any matter whatsoever at that time. It was a while back, but he could not give us an explanation at that time.

The evidence that we have as we look at the budget today is that the SDS budget is being cut substantially. At the same time, the minister says that priority is being given to more choices, more chances partnerships, yet a separate budget line for that shows a cut. She also implies that there has been a substantial increase in the more choices, more chances line through the local government settlement. Perhaps she would like to give us figures for that. Does she have any figures to suggest that more money is going into local government for more choices, more chances?

Fiona Hyslop: You only have to look at the colleges line to see that an additional £28 million has been provided this year and next year and that additional places have been made available for those between 16 and 24. There is also provision for uplift in the colleges general budget line for 2010-11. The reduction in the more choices, more chances budget line is £1.5 million. I will ask Andrew Scott to indicate to you what that means.

The reduction in the SDS line that you are talking about is £6 million, but the numbers are such within the total skills and training budget that the figure for ScotAction alone is about £140 million. You are right that there are reductions in budget lines, but you must look proportionately at where they are. Certainly, the £1.5 million reduction in the more choices, more chances agenda is not a diminution of the services that are being delivered, because some of that involves a capacity issue. I ask Andrew Scott to give information on that.

Andrew Scott: The budget has been reduced simply because we think that there has not been the uptake of grants this year and will not be the uptake of grants next year that the full budget might have suggested. For that reason, we think it prudent to make that change in the budget. Other changes have taken place. For example, the budget for activity agreements has increased by £3 million. There has therefore been some reconfiguration between the budgets, and the idea is to make the overall package of expenditure more efficient and effective.

Ken Macintosh: But the budget for activity agreements was simply taken away from the educational maintenance allowances, was it not?

Andrew Scott: It has gone up from £3 million to £6 million, and the educational maintenance budget has been reduced by £5 million because two tiers of what we judged to be ineffective allowances were removed.

Ken Macintosh: I do not think that that exactly proves the point. The policy changes that you are making, minister, suggest that Skills Development Scotland is losing out, as are young people who need more choices, more chances. At the same time, we are expected to believe that that policy area is a priority. That is obviously difficult for us because, much as I personally accept the minister's intent, the evidence suggests that priorities are not being followed through.

If I may, I will ask another question. There is a line in the schools budget that shows a standstill budget for support for learning. Again I was baffled as to why, when we have just passed the Additional Support for Learning (Scotland) Bill, the support for learning budget should be declining in real terms. That does not suggest that that area is a Government priority, yet we have just created a range of new rights for parents and young children with additional support needs.

Fiona Hyslop: My understanding is that the support for learning budget goes from £15.4 million to £15.4 million. It is a standstill budget—

Ken Macintosh: Which means that, in real terms, it is declining.

Fiona Hyslop: Resources were provided to produce legislation to improve additional support for learning. There was a focus on that at a national level, but the costs of delivering services are funded not from the education and lifelong learning budget but from the local government budget. The resources that are going in to the more choices, more chances agenda, whether for activity agreements or the increase in colleges, are far greater than the £1.5 million in the national co-ordination budget. That illustrates the difference; those resources are going in to front-line services.

Last year, we made provision for grants that local authorities and others could pick up, and we provided for partnerships in the hot-spot areas where we have identified that excessive numbers of young people are not in education, employment or training. If that provision is not taken up, it is not efficient to continue it, given that there is a real-terms cut in the national budget. Continuing the provision would perhaps provide us with a slush fund that we could use as appropriate, but looking ahead we have used our experience from last year. If it is more efficient and effective to put the

money into activity agreements, that is where it will go. If it is more efficient to put it into additional college places, that is where we will put it. Are young people in a far better place in relation to the provision of services? Yes, they are. Is the area still a Government priority? You bet.

Ken Macintosh: You are suggesting that a lot of the priorities and policy issues for which you are responsible are delivered elsewhere, by local government. The convener and Margaret Smith both asked you about that. I appreciate that this is a difficult area, but I have asked you about a range of areas for which you have direct responsibility, in which it is clear that the budget is falling. Do you accept that there is a shortfall between the policy expectation—what you ask and expect local authorities to deliver—and what you as a Government fund?

Fiona Hyslop: No. Particularly in the area of support for 16-year-olds, you only have to look at the different partnerships—

Ken Macintosh: What evidence do you have? Do you have figures to show us?

Fiona Hyslop: Well, let us look at outcomes. I think that—

Ken Macintosh: I suggest that, instead of looking at outcomes, we look at page 133 of the draft budget, which gives a summary of the key spending priorities for education that you give to local government. It includes

"improving the learning experience for children ... by improving the fabric of schools; ... developing ... A Curriculum for Excellence; ... reducing class sizes"

and providing

"access to a teacher for every pre-school child".

Can you give us a breakdown of your costings for all those areas? As a committee, we find it frustrating that you suggest that they are fully funded and that there is no shortfall, because we know that there is a shortfall. Otherwise, why are local authorities not filling teacher posts? There was a specific agreement between the Government and local authorities to maintain teacher numbers, but we know that numbers have declined by 1,000. Does that not suggest that there is a shortfall? Is that not proof that there is a shortfall?

Fiona Hyslop: On the latter point, I refer you to the concordat, in which we indicated that we would reduce class sizes, which we are doing—

Ken Macintosh: By maintaining teacher numbers?

Fiona Hyslop: Convener, I am finding it difficult to answer because I am being interrupted.

If you look at the wording on pages 4 and 5, you will see that sufficient resources will be provided for that work. There was not agreement that local authorities would have to do that, but it was clear that they would have enough resources to deliver it. They have not done so, and that is one of the issues that we have to deal with in relation to teacher training.

As far as other resources are concerned, a critical point is whether you judge everything by how much money is put into it. With a real-terms reduction of £0.7 billion in the Scottish budget, there have to be reductions somewhere. It is far better for the reductions to be made from reducing inefficiency and bureaucracy and from backroom services than from front-line services. We can put more money into colleges to provide support for 16 to 24-year-olds precisely because we have looked at other budget lines that were not taken up and used as they could have been in previous years. We have said that we are not going to extend that inefficiency and that we will put the resource where we know it will be used. That is why we have the provision in the college lines, in particular, and in the universities.

It is remarkable that, at a time when there is a real-terms reduction in the Scottish budget, there is an increase in the key areas for economic recovery. There are reductions in some of the lines, and we have discussed those today, but in general the amounts—£6 million or £1 million—are small relative to the whole budget. If those reductions help to deliver better front-line services and education places for young people, I make no apology for that—absolutely none.

Ken Macintosh: Is it possible to see the minister's calculations or costings for the services that she expects local government to deliver on her behalf—the list on page 133 or any other?

Fiona Hyslop: That is more an issue for the Local Government and Communities Committee to pursue in terms of the resources that have been put into the local government settlement. Local authorities have acknowledged that sufficient resources were allocated to enable them to deliver services. Now that we are working through a recession, the issue is the additional pressures that local government faces. Like many other service providers, local authorities are having to recognise those increasing pressures. Not the least of those is the increased demand from families and children who are in need because of the pressures that people face through being made redundant and so on. Some of the issues that can put pressures on family life can cause real difficulty during times of recession. We are in a changed world from that of 2007, and that has consequences.

As for providing you with contractual details, we no longer have ring fencing in local government funding—that is the point of the local government settlement. I understand that all the political leaders—including Iain Gray and Annabel Goldie—made it clear when they spoke to the Convention of Scottish Local Authorities at one of its recent conferences that they would not roll back from single outcome agreements reflecting what is to be provided by local authorities in return for the settlement that they are given.

Ken Macintosh: But in supporting the curriculum for excellence, school meals or teacher numbers in local authorities, you must surely have a crucial input in decisions about how much money goes to local authorities. All that I want to find out, on behalf of the committee, is what that input is and what those figures are. Is it unrealistic to ask for those?

Fiona Hyslop: You must recognise that the relationship that we have with local government is outcome based; it is based on a global local government settlement within which national Government and local government agree that what we are asking them to deliver can be delivered.

There has been a transferring of budget lines, not least an additional £40 million in 2010-11 that has been transferred to the local government settlement to cover some of the public-private partnership obligations that were not funded by the previous Administration. That was an issue for the comprehensive spending review in 2007-08, when some of the budget lines were transferred from the old education department budget line into the local government line. Although the increase in the settlement for education and lifelong learning is 2.2 per cent, because, as you have identified, most of our priorities are delivered by local government, local government is receiving a 2.8 per cent increase.

If you want to unpick that whole relationship because you do not trust local government to deliver, that is a different question and is probably not something for this committee to look at in considering the budget for 2010-11. You might, however, want to discuss the matter with your local government colleagues and the Local Government and Communities Committee. That is where scrutiny should take place of local government's ability to deliver on national priorities.

The Convener: I think that that line of questioning reflects the frustration that the committee sometimes feels: we are not able effectively to monitor the implementation of policies for which you have overall responsibility, although I appreciate the fact that some of it is the responsibility of John Swinney.

When the Cabinet Secretary for Finance and Sustainable Growth deliberates on how much money he is going to allocate to local authorities, does he consult you about the Scottish Government's priorities in education? How does he work out how much money he needs to give local government to pay for a reduction in class sizes or any of the Government's other education policies? Do you have a role in that as the Cabinet Secretary for Education and Lifelong Learning?

Fiona Hyslop: We have bi-monthly dialogue with local government. John Swinney and I have meetings with COSLA leadership of all political persuasions to oversee the delivery of the partnership agreement—both national Government's responsibility and local government's responsibility in relation to the range of priorities that have been identified in the concordat. That happens regularly and the decisions about the allocation of resources—whether to local government, health boards or others—are the Cabinet's collective responsibility. John Swinney and I have close discussions and agreements about what that means for our portfolios because we have the bulk of the responsibility for local government.

The Convener: Is there an exchange of figures during those close discussions? If so, can the committee have sight of the figures on the Government's priorities for education?

12:15

Fiona Hyslop: Part of that was done in the spending review of what we would expect local government to deliver in the three-year period. In the concordat agreement, we asked for some of the items—although not a huge number—to be delivered in the first year, and others to be delivered in the second and third years. It goes without saying that that will vary. Part of that was discussed as part of the spending review allocations for the three-year period in 2007-08.

The Convener: In that case can we have the figures for all three years?

Fiona Hyslop: It is part of the local government settlement, so it is an issue for the Local Government and Communities Committee to take forward if it wants to see what the contents of the local government settlement are. Some things in the settlement, such as pensions and transport issues, are predetermined; some of the settlement is for responsibility for waste management; a great deal of it is to do with education. If you look at the budget lines over the piece, particularly prior to 2007, you will see that your predecessor was in exactly the same place as you are, convener, when it came to determining what resources for education that is delivered by local government

are put into national Government. I asked Peter Peacock and Hugh Henry similar questions when they were in office. These issues are not new.

I do not know whether we will be more successful at this than we have been previously, but I do not have a prepared spreadsheet that I can offer you, if that is what you are looking for.

The Convener: I was hoping that, in an attempt to be open and transparent, the Government might have provided some additional information to the committee.

I believe that Margaret Smith has a final question to ask the cabinet secretary, although there is no need to ask it if the subject has been covered.

Margaret Smith: I will try to focus on one particular point. Ken Macintosh asked about colleges, and funding being not just for young people. The Government has put in funding to assist with partnership action for continuing employment—PACE—making use of colleges. Do you have anything to say about any evaluation of that?

You said something along the lines of if it is more efficient to put funding into more college places, you will put it there. We have already had a conversation about extra funding for university places. Is any evaluation being done of whether it is more effective to put money for extra places into colleges or universities, especially taking into account some of the inherent flexibility in college courses for people who have been made redundant?

Fiona Hyslop: Universities have a role in the long-term economic recovery and in key growth areas, which is why there is an emphasis on science, technology and engineering. It is important that we have resources immediately available to deal with large-scale redundancies such as those at Freescale in Lanarkshire.

I will also give you a good example of the effective use of PACE money in colleges. Two to three weeks ago, I was at Forth Valley College, which is working with Skills Development Scotland, Jobcentre Plus, and OPITO, the oil and gas academy. OPITO wanted to widen the pool of engineers who could go into the oil and gas industry, beyond the north-east. In a three-month period, a scheme was set up at Forth Valley College to retrain engineers, many of whom had been made redundant from manufacturing companies in the central belt, so that they could become engineers in the oil and gas industry. I met the students who were starting the initial programme about two or three weeks ago.

The scheme was established to do something that suits one of our key industries and uses

people's skills—and it was important to do it within three months. Some of the people who had been made redundant were not long-term unemployed, and many of them had key skills. It was the first time many of them had ever been in a jobcentre because the market has been buoyant. That way of working was very effective. The course lasts for only three months. That is where some of the tensions will be.

Ken Macintosh asked about modern apprenticeships, which go on for longer—three years or whatever. Some of the measures that we will have to take to recover from the recession will be quite reactive and quite short term. We are not talking about three-year programmes or courses.

University funding forces us to look a bit more at the longer term—this relates to what Elizabeth Smith argued. We have to look at that commitment because four-year degrees are costly, whereas we can put some resources into colleges quite quickly. We need to evaluate the efficiency of that and ensure that there are sufficient resources to meet that demand. I have encouraged colleges to work with many of the employers to see what they can do. We have considered the monitoring of delivery of that approach. Indeed, another college principal to whom I spoke only last week told me that the requirement for the funding council to account for the additional and consequential moneys that we have put into colleges is effective because it will allow them to prove how that funding has been used effectively. I have also asked the college principals collectively to provide me with that feedback because we want to be able to prove how effective it is and demonstrate that the short-term activity can be responsive to key sectors.

Colleges can deal with many of the immediate responses. If we were dealing only with the here and now, we would probably have put more resources into colleges than universities, but it is essential that we try to build on the areas of economic recovery.

Aileen Campbell: You mentioned ScotAction in your opening remarks and in answer to previous questions but there is no budget line for it. Is it part of Skills Development Scotland? Do you have any indication of the level of expenditure on ScotAction?

Fiona Hyslop: A lot of it will come from different budget lines. Some of it is reprioritising existing resources and much of it is also with the apprenticeship money, some of which we are using to help redundant apprentices in particular. For example, the individual learning account funding, which is a different budget line from SDS, is also proving quite effective. One thing that we are doing to help people who face redundancy is allowing them, for the first time, to use ILAs while

they are in their 90-day redundancy notice period. Responsible employers would obviously release people who face redundancy—perhaps on short-time working—to access college retraining while they are still working. That funding and some of the changes that we have made to the scheme also help to support ScotAction. One such change is the increase in the threshold. It used to be that people could access ILA funding only if they earned less than £18,000, but it is now £22,000. That makes a difference.

It also used to be that people could access the training for work programme, which is in the budget lines for support for skills and training, only after six months of being unemployed. However, we all know that the longer somebody is out of work, the more difficult it is for them in the longer term and we have reduced the training for work threshold so that people can access the programme after three months of being unemployed. The budget lines cover a number of different areas that are already in that.

The ILA 500 comes under the SAAS line. We have replaced loans with grants for up to 20,000 part-time learners in higher education. We thought that that was the right thing to do anyway, but we are finding that some of the people who have been made redundant in the recession are looking to go into education and that £500 can make the difference by enabling them to carry on working part-time to support their families but have a change of direction by going into education.

The ILA 500 budget line of ScotAction is under the SAAS budget and the ILA 200 line under the SDS budget. The apprenticeships that we discussed with Ken Macintosh are part of the SDS budget.

Aileen Campbell: So there is no specific line for ScotAction but a number of bodies and agencies will deliver it. Will that be clearer in the level 4 information?

Fiona Hyslop: In the statement next week, we will provide more information about what we are doing under ScotAction generally. Better information will be available for members then.

Aileen Campbell: You mentioned the bill for the private finance initiative—I think you said that it was £40 million. How much of a burden have the bills for PFI and public-private partnerships been on the new budget?

Fiona Hyslop: That is part of the local government settlement. We had to acknowledge that there were issues.

There used to be a schools fund, which funded the Scottish Government's contribution to the PFI/PPP schools projects. That fund was transferred into the local government settlement

but, to meet some of the obligations, we had to find an additional £40 million for 2010-11 on top of what was in the budget already or planned for on baseline. We said that we would do that and it is exactly what we have done.

The Convener: I will allow the cabinet secretary and her officials to leave, then the committee will move into private session.

12:25

Meeting continued in private until 12:41.

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