

EDUCATION, CULTURE AND SPORT COMMITTEE

Tuesday 24 April 2001
(*Afternoon*)

Session 1

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EDUCATION, CULTURE AND SPORT COMMITTEE 12th Meeting 2001, Session 1

CONVENER

*Karen Gillon (Clydesdale) (Lab)

DEPUTY CONVENER

*Cathy Peattie (Falkirk East) (Lab)

COMMITTEE MEMBERS

*Ian Jenkins (Tweeddale, Ettrick and Lauderdale) (LD)

*Mr Frank McAveety (Glasgow Shettleston) (Lab)

*Irene McGugan (North-East Scotland) (SNP)

Mr Brian Monteith (Mid Scotland and Fife) (Con)

*Michael Russell (South of Scotland) (SNP)

*attended

WITNESSES

Councillor Willie Anderson (Falkirk Council)

Mr John Henderson (Scottish Executive Finance Department)

Dr Graeme Young (Falkirk Council)

CLERK TO THE COMMITTEE

Martin Verity

ASSISTANT CLERK

Ian Cowan

LOCATION

Falkirk Municipal Buildings

Scottish Parliament

Education, Culture and Sport Committee

Tuesday 24 April 2001

(Afternoon)

[THE CONVENER *opened the meeting at 14:42*]

Schools Infrastructure

The Convener (Karen Gillon): Welcome to the 12th meeting in 2001 of the Education, Culture and Sport Committee. I thank Falkirk Council for its kind hospitality in hosting the committee today.

Mobile telephones and pagers should be switched off—I have just switched off mine—as they interfere with the sound equipment.

The first item on the agenda is the schools infrastructure inquiry. We have decided to come to Falkirk because Falkirk Council was the first council to pilot public-private provision. The inquiry will begin with evidence from the Scottish Executive. John Henderson is from the Scottish Executive finance department's enterprise and lifelong learning division; Mr Andrew Clearie is the division's project adviser; and Mr Graeme Stuart deals with teachers and schools. I am delighted that they are here.

John Henderson will make an opening statement and members can then ask questions.

Mr John Henderson (Scottish Executive Finance Department): It is pleasant to be here to speak about public-private partnerships, as the Executive now calls them. We take the view that private finance initiatives are one form of public-private partnership.

PPPs are an important plank of the Executive's policy to modernise the school estate. PPPs, where they represent value for money, are one way of modernising. Falkirk Council's experience has been important in showing other local authorities that new schools can be delivered and refurbished using PPPs. In many ways, Falkirk Council has become a pathfinder for other authorities such as Glasgow City Council, Stirling Council and East Renfrewshire Council, which have all now concluded deals with the private sector and are proceeding with projects.

In future, PPPs will remain not the only but an important way in which schools can be improved. In recognition of that, the Executive has made available £5 million to provide seedcorn to enable

other authorities to consider outline business cases and to decide whether it makes sense to proceed with schemes. That will be a precursor to subsequent Executive rounds of support. Ministers have not announced precisely what form that support will take, but there is likely to be a further round of support to local authorities. One can envisage that the best schemes to come through the examination stage will be taken forward.

That will pretty much be the scene in Scotland. As a result of Falkirk Council's experience, we know reasonably well how to work with PPPs in schools. Where PPPs represent value for money, they will remain an important way of providing new schools and upgrading schools that do not require to be completely replaced but need fairly substantial work carried out on them.

14:45

Ian Jenkins (Tweeddale, Ettrick and Lauderdale) (LD): I have a general question. The paper that you have submitted says that projects must be

"commercially viable with robust cash flows".

The current projects do not include many from rural areas, where there are many small primary schools that do not need to be wholly replaced but may need to be expanded and refurbished. Broadly, the suggestion is that those projects are not attractive because they do not give robust cash flow and revenue.

Mr Henderson: Our experience of PPPs is that it is difficult for any scheme that costs under £10 million to £15 million to be viable. It is difficult for the public sector to meet procurement costs and to attract sufficient interest and reasonable financing costs from the private sector. To deal with that, we are considering bundling schemes. Rather than dealing with one school, Falkirk Council has handled five schools to get to a £60 million to £70 million project. I expect things to go that way in Scotland.

A couple of weeks ago, I spoke to Dumfries and Galloway Council about some of the problems in the Machars, where there are small primary schools that need to be upgraded. It was alive to my suggestion that one way of dealing with the problem would be to link the schools with some of the larger secondary schools in the region. A larger project could be put to the market, which would be more viable for the council, developers and financiers.

Ian Jenkins: Do you recognise that the groundwork and strategies involved do not deal simply or straightforwardly with four or five schools or large secondary schools in a cluster in a central belt authority?

Mr Henderson: I accept that. In Glasgow, we have dealt with all the secondary schools, but the strategy is untested in areas such as the Borders and Dumfries and Galloway, where there are many dispersed, small primary schools. It would be nice to work with a local authority with a large number of rural schools that need to be upgraded or replaced in the way that we worked with Falkirk Council. We could work out how schools could be grouped together for other rural local authorities in Scotland. That said, Highland Council is working with a small number of schools that are quite dispersed. I think that that will help us. It is interesting that the Republic of Ireland is proceeding with a schools PPP over quite a large geographical area.

Ian Jenkins: Would level-playing-field funding be available to anyone who showed an interest and could convince you that it is required? You implied that in your statement.

Mr Henderson: Ministers still have to decide what form of revenue support to make available to authorities. It could be akin to level-playing-field support. In layman's terms, level-playing-field support means that central Government provides local government with the costs of borrowing for capital projects to ensure that no disincentive or incentive occurs. Level-playing-field support provides capital and revenue support—or at least a contribution to support—in a PFI scheme too.

Cathy Peattie (Falkirk East) (Lab): I want to ask about the evaluation and monitoring of quality—how we measure success. One head teacher said to me that PFI was not working yet but that people were working together and would make it work. How will we measure success, locally and nationally? How will we decide which is the best way to build or refurbish schools?

Mr Henderson: The Falkirk schools have been open only since August and I would be the first to admit that it would be rash to say that everything was working well. We will learn from the Falkirk schools and the other schools that will come into operation whether the contracts that have been signed between local authorities and the private sector work in practice and whether there are problems in the delivery of education or in making the contracts work.

I spoke to the head teacher of one of the Falkirk schools when I was speaking to architects at a conference and his view was similar to the view of the head teacher at Bo'ness. He said, "Yes, there have been snags, but we are working through them. We are not too disappointed and we quite like having new schools. There is a reasonable level of optimism. However, we have a bit to go and I am not going to be over-optimistic."

Cathy Peattie: Clearly, there has been a big

commitment to PFIs and PPPs, which are seen as the way forward. When will we know whether they have been a success? When will we be able to consider things nationally rather than locally? How do we measure things and how do we compare them?

Mr Henderson: One way of measuring success is to ask whether we have new schools that are open for business. In Falkirk, we can say, "Yes, that is a success." Another way is to ask whether teaching and learning have improved. That is difficult to measure. However, we would all like to feel that the new environment in the new schools is helping teaching and learning—otherwise, why provide good facilities?

One way of measuring things will be when the schools are open for business; another will be when we ask the practitioners, the head teachers, the teachers and the pupils whether the school is a good environment to work in and whether it is different in any way. It might be difficult to tell what is different between a PFI school and a new school that has been built traditionally. The answer to that question might be more revealing than the answer to a question just about the PFI school. The differences are important, but I am not sure that we will be able to see them early on.

I would like to think that one of the advantages of PFI schools is that, because of the contractual need to maintain them—otherwise the developer will incur financial penalties—we will not have schools that are not maintained. I am not blaming local government, but we all recognise that when budgets are tight, it is difficult to spend money on maintenance. One of the plus points of the PPP approach is the contractual relationship. Another is that the schools have been designed to minimise maintenance costs over the 25 or 30 years. Over time, I hope that we will see that PFI schools are better maintained than traditional schools.

Cathy Peattie: You are arguing that education will be better because children will be in a better environment. That makes a lot of sense, but who built the school does not matter to the kids, as long as it is a good environment.

Mr Henderson: I agree. It is a fallacy to say that the private sector has not always built our schools—it has. The question is, who does the maintenance and provides the janitorial services, cleaning and so on. That is where PFI schools will differ from traditional schools. Again, comparisons will be difficult. I do not want to give the impression that all local authorities in Scotland have not maintained their schools and that we have lots of bad schools, because that is not true. In some areas, traditionally built and procured schools are excellent and have been maintained. The authorities in those areas may have judged that they are able to afford that or may have

reprioritised in such a way that they have not cut back on maintenance.

Michael Russell (South of Scotland) (SNP): We should bear it in mind that this is the first day of an inquiry into schools infrastructure. Mr Henderson has given some interesting answers about the quality of education for pupils. Having seen the school in Bo'ness this morning, I have no doubt that the school and the building are of extremely high quality.

As a civil servant, Mr Henderson will realise that our inquiry will have to answer certain questions. Is this the most cost-effective use of public money? Given that public money is involved, is this the best way to do things? Are certain things unacceptable? I want to focus on some of those.

Earlier, Mr Henderson spoke about better value for money and cited the Arthur Andersen study. He will know that questions arise over the making of comparisons. Let me ask a straight question to start with: if it could be shown that allowing local authorities to build schools in conventional ways was better value for money, would that be acceptable?

Mr Henderson: The Government's policy is that PPP should be used only where it demonstrably provides better value for money. We demonstrate that through something called the public sector comparator, which examines the costs of building and maintaining a school traditionally and the costs of doing so using PPP. I cannot answer your question by asking, "Would the funds be made available in sufficient quantities for local government to build its schools traditionally if that was shown to be better value for money?" All I can say is that ministers would need to consider that very carefully.

There is an impression that no money is available to local government to spend on schools unless it takes the PPP route. That is wrong. I think that I am right in saying that the expenditure per annum by local government is more than £100 million, so there are alternatives.

Michael Russell: We heard this morning and we will be able to confirm in evidence today that the Bo'ness project would not have gone ahead without the availability of the PPP route. When one looks at the list that we have been given, one sees that that is likely to be the case elsewhere. I have heard Mr McAveety mention that Glasgow would not have gone ahead without that availability. Do you accept that?

Mr Henderson: Given the levels of section 94 consents available to local authorities, it would have been difficult for Falkirk Council to build five schools at the same time. It could, conceivably, have built them, but over a much longer time.

Michael Russell: A much longer time. The capital value on your sheet is £70 million, the estimated value at the time was, I think, £56 million, and the capital budget of the council was £3.5 million. An exercise in division will tell you how long it would have taken.

Mr Henderson: I do not disagree with that. With the level of capital consents that the council had, it would have taken a very long time to pay for five schools.

Michael Russell: Mr Jenkins raised the issue of providing support on a level playing field. That issue will be in our minds because, without it, it is obvious that many projects will not happen. I want to ask about the assessment of risk which, as you know, will be crucial to understanding the projects. How will that be done?

Mr Henderson: There are a variety of risks. In the public sector, the most obvious risk occurs in procuring an asset. If there is a risk of project costs overrunning, the taxpayer bears the risk. If there is a risk of a new school not being open in August and the council having to make alternative arrangements to ensure that pupils' education is provided elsewhere, the taxpayer takes the risk again. Under PFI, both those risks are transferred to the private sector. If the school is not completed in time and to the agreed costs, the private sector developers are penalised. Developers are incentivised to have schools open as soon as possible. Unlike with traditional procurement, developers do not receive staged payments. They are paid only when the asset is open as a school. There is enormous pressure from the banking sector to ensure that the income stream flows quickly.

When it comes to the operational stage, the developer takes on from the taxpayer the risk that it can open the school and maintain it to acceptable standards of cleanliness and heating. If it cannot, there is a financial penalty. In traditional procurement, if something goes wrong and a school is not available and the council has to make alternative arrangements, the cost is borne by the taxpayer. Risk can be transferred from the public sector to the private sector in a range of areas. Often, the cost of the risk is lost under current arrangements. People do not consider that risks exist, but they do.

15:00

Michael Russell: I want to finish the point about risk. The capital cost of the Falkirk project was £56 million. The council repayment over 25 years will be £360 million. In this case, the council will not own the assets, although that has changed for other contracts. What is the risk in providing a number of schools that will have a guaranteed

tenant? There will be a handsome profit. In this particular case, the reward is substantial. The element of risk that you have outlined is a risk only if you are not a moderately efficient—or if you are a moderately inefficient—manager of projects. Do you accept that the reward outweighs the risk in this case?

Mr Henderson: The figure that you quoted that will be paid to the developer is a combination of the capital and interest cost of the project and the maintenance of the schools. Of course, the council would bear the cost of maintaining the schools over—

Michael Russell: The cost would be nothing of that nature. It is unlikely that the schools would cost in excess of a maximum of £1 million to £2 million in maintenance. While I accept that the figure includes maintenance, you must accept that £360 million over 25 years is a lot of money.

Mr Henderson: Consider projects such as the one in Falkirk. It is in areas such as the maintenance of schools over the 25 to 30-year period that the private sector can achieve substantial savings compared with the public sector, due to the way in which the private sector can initially design buildings to cut down on maintenance costs. I am not sure that I agree that the council would pay less under traditional procurement.

Michael Russell: You still have not answered the question on risk and reward. Do not you accept that the reward is substantial for a small amount of risk?

Mr Henderson: No, I do not accept that because, as I said, there are imponderables over the 30-year life of the contract. That risk is being passed to the private sector. At the end of 30 years, you may be able to say to me, "Ah well, yes, but none of those risks was realised, therefore there was a disproportionate reward to the private sector," but it is too early to make that assertion.

Michael Russell: So there is a possibility that it is a large reward.

Mr Henderson: That is true with all risks. It has to be possible that the downside will happen as well as the upside.

Irene McGugan (North-East Scotland) (SNP): All the PFI schools work to time-limited contracts, which means that there is a period after which decisions have to be made about the future use of the facilities or whether to sell them on. Who will take the decision on what will happen to the schools?

Mr Henderson: Under the Falkirk contract, the decision is for the council, which has a number of options: it could approach the market again and

have another developer operate the schools; it could take the schools back into public sector ownership, which would be done at market value with a cap on it; or it could walk away. It may be that, because of demographic changes, a school will no longer be needed in a particular part of town, in which case quite a risk will be left with the private sector, which could have a building with no tenant. The council would then be able to go ahead and procure a school in another part of town if it needed it. If the council did not need a school because of demography, it would not procure one.

The change that ministers made early on in the life of the Scottish Executive was to recognise that it was unlikely that there would be a residual value to, or alternative uses for, many of the new schools, so the advice that we have given to local authorities is to negotiate on the basis that they have the option of getting schools back at nil value at the end of the contract period. That is based on the view that it is unlikely that the schools will have any residual value for the private sector at the end of the period.

Irene McGugan: I am not sure that I agree with you. Land values will always hold good, and the schools are sitting on large areas of prime land. We have an example in Bo'ness, where the site of the old school was sold for residential building at, I am sure, a handsome profit. From what you say, it seems that there is less risk for the developers and owners and more uncertainty for councils. How able will councils be to procure another building should they need to do so? How able will they be to negotiate with the developer on retaining the use of the facility beyond 25 years?

Mr Henderson: I am sorry; I should have made that clear. My understanding—certainly in the case of the Falkirk contract—is that the authority has the right to extend the period. The developers cannot simply throw the council out of the school at the end of the contract period and seek planning permission for housing, leaving the council without a school. The council has the option to stay in the building.

Irene McGugan: Do developers and owners guarantee that the council has that option?

Mr Henderson: That is part of the contract.

Irene McGugan: Do people find that acceptable? Are people willing to live with that degree of uncertainty about education provision in their local authority area?

Mr Henderson: I do not see that as a risk, because there is no question that the council will be turned out of the schools. All the cards seem to lie with the council, rather than with the developer. The council has the option to stay in the school and it has the option to walk away. The developer

does not have that range of options, so there is more security for the council than for the developer.

Mr Frank McAveety (Glasgow Shettleston) (Lab): You mentioned risk factors, which Michael Russell touched on. It strikes me that that we have not spoken enough about responsibility at the end of the contract period. In certain parts of Scotland, local authorities had schools that were in very poor condition, which they did not have the resources to address. In many cases demography changed, as did the quality of the schools, which made the schools less suitable. A coherent PPP package may afford a great opportunity to take a strategic view, which complements existing public spend.

I would like you to address the possible role of councils at the end of the contract period. They may be in a much more powerful position than they are and may have greater flexibility, rather than buildings in inappropriate places.

Michael Russell mentioned me earlier, so I may as well respond. It was the pace of investment under PPP that was attractive, rather than the model for investment. In Glasgow, for example, two secondary schools were built in 18 to 20 years, whereas there is now the opportunity for 11 new-build and 18 good-as-new schools. That is meaningful to the public. The question is whether it improves the quality of the product in schools. That remains to be seen, because there are many other factors, such as the quality of teachers and the social cohesion of schools, which make a fundamental difference. I ask you to address risk and responsibility and the pace of change and investment that PPP can offer.

Mr Henderson: Glasgow is a good example. As you know, Glasgow has ended up with too many schools following demographic changes. Had Glasgow had a PPP contract that began 25 or 30 years ago, it would have been in a much stronger position and would not have ended up with buildings in places where school rolls are insufficient. The council—under the terms of its PPP contract with Amey/Miller Group—could simply have walked away from those schools, or, as you suggested, decided that it wanted facilities other than a school in those parts of Glasgow. It might have wanted to collaborate with the health service on the provision of primary health care and would have had a facility that it could have adapted for that use.

It is true that PPP has allowed the pace of change to increase. It has enabled authorities to consider groups of schools strategically, as Glasgow City Council did. Glasgow's situation is quite interesting. Members will probably know that when the council entered into its secondary school PPP contract, it thought that it might get two new schools from it. Instead, it has obtained 12 new

schools, because of the private sector's innovation. The private sector took the long view that providing new schools would be more cost effective for maintenance than patching up old schools would be. That is an interesting example of a strategic partnership with the private sector that resulted in what I hope is a win-win situation for Glasgow, which has more new schools, and for the private sector, which used its innovation to make something without getting a profit. That is not a bad thing.

Mr McAveety: The issue that faces Glasgow—I know what that issue is, but I wonder whether you can enlighten me further on it—is the comparison between significant upgrading at secondary level and the 200-plus primary schools, many of which remain in buildings from the 1920s, in which there has been significant underinvestment in areas where the demographics have changed. The council must address that, whatever happens in the next five years.

The issue is the comparison between the improvement strategy in the secondary sector and the shoddiness that will be self-evident in the primary sector. Could another enlightened package be proposed that would include the concept of European funding combined with partnership? The initial idea in Glasgow was to deal not with 38 secondary schools—that figure was reduced to 29—but with five or seven. The idea developed from there.

Mr Henderson: It is not for me to tell Glasgow City Council what to do with its schools. All I can say is that part of the £5 million of funding that we provided allowed the council to consider the case for PPP for some or all of its primary schools. The ball is in the council's court.

The Convener: Cathy Peattie will ask the final question.

Cathy Peattie: Frank McAveety has covered the issue that I intended to talk about.

15:15

The Convener: As there are no further questions, I thank the witnesses for their evidence. If we require further evidence, we will write to you.

I welcome our next witnesses—Dr Graeme Young, the director of education services at Falkirk Council and Councillor Willie Anderson, who was convener of the community and citizen development committee of Falkirk Council when the PFI project was developed. I invite Dr Young to give a brief introduction. I understand that we will be shown a video that the council has produced.

Dr Graeme Young (Falkirk Council): Given the fact that MSPs have seen Bo'ness Academy this

morning, and that some members have also seen some of the other schools, I thought that it might be helpful to have a brief look at the condition of the previous schools. It is easy to take the new schools for granted after a short period of time. The video lasts for about seven minutes.

Video evidence was shown.

The Convener: Do you have any further comments?

Dr Young: Yes. I hope that the video has given members good background information on the state of the five schools that we sought to replace through a PFI programme.

My submission demonstrates how elements of the capital programme go back quite some way historically—indeed, back to the previous local education authority. Central Regional Council had endeavoured to secure increased capital spending under section 94 of the Local Government (Scotland) Act 1973 so that it could tackle the problems by conventional routes. In particular, Central Regional Council had tried without success to establish a new Braes high school by that method.

Following local government reorganisation, and particularly at the time of the 1996-97 capital budget discussions—the first under the new council—the extent of Falkirk Council's secondary school provision problems became apparent. The five schools that were highlighted in the video had real and fundamental difficulties.

A global estimate was put on the likely cost, which it was agreed would be of the order of £60 million to £70 million. Falkirk Council's capital budget for education in 2001 was £3.5 million, so unless we had been given a substantial step-up in our section 94 consent, there was no way that that cost could be overtaken by conventional routes. Consequently, a group of officers was charged with investigating the possible routes by which we could get the necessary funding. Section 94 was, effectively, a non-starter. Planning gain was also investigated, as was the private finance initiative, which at that stage was still very much in its infancy.

The second page of the submission shows that, during those early debates and discussions, Falkirk Council deemed it essential that certain services—in particular, the continued employment of all direct teaching and educational support staff—be retained by the council in any education package. Just as important was the council's right to determine education policy through its officers and elected members. Those were two core, fundamental principles, which were not negotiable. We also wanted to ensure that the council would retain a degree of responsibility for information technology and would finance and run the schools

in the traditional sense—in terms of consumables and of devolved budgets to schools.

The following services were, and are, to be provided by the project company: the construction of the buildings; the decant of pupils and staff in the interim, if necessary; demolition of the existing schools; management of the new schools' facilities; maintenance of building, plant and grounds; certain equipment provision; maintenance and replacement; catering; cleaning; security; janitorial work and energy management. That was to be the split of responsibilities between council and project company.

Some of the main perceived benefits of the eventual preferred PFI option have been touched on this afternoon. The first of those is very important: it was only by the PFI route that the work for the five schools could be tackled simultaneously. We put five new schools—or rather four new schools and one refurbished school—on the ground and ensured that they were opened within three to four years. Had we sought to do that by conventional methods, I contend that we could not have done it at all. Even through doing the arithmetic that was mentioned earlier, the same task would have taken more than 20 years if it had been done via conventional routes.

There were deemed to be economies of scale in opting for a package of this size, which involved bundling together the design and construction of five schools. If members have the chance to see all five schools, they will see that there are considerable design similarities among them.

With the package, there is an assumption of certain risks, as has been mentioned. We have the full use of assets for the community, and despite the fact that we still have some way to go to achieve that fully, it remains an important objective; there is no set-aside in the deployment of the capital receipts from the existing buildings, which was taken by Class 98 as part of the project agreement; and the existing level of section 94 resources coming into the council has been left untouched in order to make those resources available for other educational, or indeed any other service, projects.

I will move on to the package's disadvantages. A certain number of support employees were transferred to the private sector, which caused a degree of anxiety among officers and elected members. As things stand now, the buildings are not to be owned by the council. That can change, however, and we could talk about that later. A large measure of uncertainty was attached to the whole project, simply by dint of its being the first of its kind in Scotland. A lot of negotiation and to-ing and fro-ing was required.

In the process of coming to a decision on the

matter, the major issue was the sheer scale of the project. We could not have done it, or secured the necessary funding, by any other method. Planning gain would not have allowed sufficient benefit without massive detriment to the green belt, through a significant increase in building. The very fact that PFI could be made to happen was critical. It was a real option, unlike others, which were non-starters.

I do not think that I need to go through the time scale, which is self-explanatory, but I hope to be able to answer any questions on it.

15:30

Earlier, we touched on the major benefits of having the five PFI schools. Undoubtedly, there were, and are, health and safety benefits. The more modern building at Bo'ness Academy was falling down. We could not be deemed to be responsible for it for much longer, so its replacement was an absolute imperative. The video reflected on the fact that Graeme High School was unfit for use for about two months in the winter of 1995-96. Children were decanted to three or four different locations throughout the Falkirk Council area, much to their detriment at the time. There was also an end to split-site schools, notably in the case of Larbert High School and, to a lesser extent, in that of Bo'ness Academy.

I will not go through the whole list of the package's educational benefits; members will have seen some of those today. I think members will agree that some of the facilities that they saw at Bo'ness Academy, particularly those for physical education, are remarkably effective and are used well by the school.

There were problems with construction and there have been problems in the months that the schools have been operating. Such problems would also have occurred under conventional methodology, but that is not to minimise them. As I said, we look to maximise the community benefit, particularly in the case of the Braes High School, which is located in a part of Falkirk that is experiencing much growth. It provides a focal point to that area, which was not there before.

Safeguards were built in so that all transferred staff were guaranteed to have no detriment in pay or conditions of service for five years.

The land that the schools are built on remains under Falkirk Council's ownership, although the land that the previous schools were built on transferred to Class 98.

The options at the end of 25 years are outlined, and were touched on by Mr Henderson earlier. We can negotiate with the existing consortia or with altered consortia. We can negotiate new provision

to reflect changes in demography or in the nature of education, which is highly likely to have occurred after 25 years. Alternatively, we could seek to take the properties back into full council ownership, either at that time or at some stage between now and then.

That was a bit of a whistle-stop tour, but I hope that it was of assistance to the committee.

Cathy Peattie: I found your timetable helpful. The video mentioned consultation. What consultation took place with parents, pupils and teachers? What was the response?

Dr Young: There were two tranches to the consultation. Part of our programme involved doing away with Woodlands High School and creating a new school, Braes High School. During the first tranche, we conducted all the consultation that related to zoning, because we were proposing to take pupils from four primary schools, whose pupils had traditionally gone on to Graeme High School, and zone them to the new Braes High School. That was a big issue for parents, staff and pupils.

A further major part of the first tranche was our proposal to move the former Dawson Park School—a special school that is now called Carrongrange School—to the campus of a mainstream secondary school. That was a bold and imaginative step, but one that some people found daunting and frightening. For the other schools that were involved, consultation took place on the best site location. That more or less made up the first tranche.

The second tranche was perhaps less contentious; it was more about the nature of the design of the buildings. That is where the teachers tended to play a bigger role. They had the opportunity to comment on the design and to offer some suggestions on improvements that could be made.

Cathy Peattie: Did the parents raise any issues about PFI at the time? Did they have concerns?

Dr Young: It is fair to say that, at most of the public meetings, one or two people who were opposed to PFI as a matter of principle would be present. The subject was debated, to a greater or lesser extent, at individual meetings.

Cathy Peattie: You mentioned trade unions. I recall that there were some issues surrounding catering, janitorial and other staff, but I will not go into those now. Could you tell us a wee bit about those issues and how they have been dealt with? Karen Gillon and I spoke to catering staff at Bo'ness Academy this morning. They felt that things had worked okay, but I would be interested to hear about the wider response.

Dr Young: When the council began to discuss the possibilities of a PFI, it had not necessarily decided that working conditions and the level of service would be protected for five years, because there was a cost attached. Initially, there was anxiety among staff in relation to that. There was also anxiety about what staff would be expected to do. The question whether their job description would change significantly was a particular issue for the janitors, who had to be talked through exactly what would be involved in being a site superintendent for Class 98 or for MITIE Olscot. There were also some pragmatic issues to consider. Some of the janitors lived in tied council houses and that had to be dealt with virtually on a one-by-one basis.

There are on-going issues—not everything is signed, sealed and delivered and a line has not been drawn under the situation. However, as members will have heard this morning, things have worked very successfully, particularly from the perspective of the catering staff.

Cathy Peattie: We have heard that things are getting there with regard to quality assurance and that people are learning to work together. This morning, the head teacher of Bo'ness spoke about having a different kind of relationship with contractors compared with the relationship that he would have had with the council. Is there any monitoring of the issues surrounding maintenance? Has the role of head teachers changed, or has it simply been extended to include liaison with private operators?

Dr Young: Although it was not the driving force, the idea behind the PFI programme was that some of the burden of that kind of maintenance work should, if possible, be removed from head teachers, not least in the light of documents such as "Time for Teaching".

It is fair to say that the five schools that are attending today's meeting would admit that that has not happened. However, we should remember that it is the first year of the programme, and they have been required to sort out a lot of teething troubles. As the head teacher at Bo'ness Academy pointed out, we have recently decided to arrange for our property maintenance inspectors to offer their services to the schools. At the moment, if a school wants to make a minor adaptation to a building, it will seek a cost from Class 98, but schools still do not have the expertise to know whether that cost is reasonable and our inspectors will now offer an advice service on such matters. It remains for Class 98 to make the alterations in most circumstances.

As I said, although the burden on the head teacher or the deputy head teacher has not been lifted as much as I had hoped, that is partly because it is the first year of the programme.

Michael Russell: Having gone through the experience, would you describe yourselves as PFI enthusiasts?

Dr Young: I describe myself as an enthusiast for a good educational environment for pupils. As I have pointed out, if it had not been for PFI, we would not have the building that we were in this morning.

Michael Russell: I hope that everybody in the room is an enthusiast for good educational conditions. I am not alone in being very impressed by what I saw at Bo'ness Academy this morning and I am delighted that the building is there. However, that was not my question. As Falkirk Council's director of education, you are in charge of the department and have been through the pathfinder process. Are you enthusiastic about the process, and if not, why not?

Dr Young: It would have been preferable for the five new schools to have been built through traditional section 94 consents, with all the employees retained within the council. However, as that was not an option, we whole-heartedly embraced PFI in order to get five schools. By and large, PFI has worked very well; indeed, we would have had many of our teething troubles no matter whether the schools had been built through the traditional route or through PFI.

Michael Russell: I do not think that it is an either-or matter; there are arguments both for the traditional method and for the private finance option. I want to tease out aspects of this particular project that are worth investigating. How much will Falkirk Council have given Class 98—in cash and in kind—by August 2001?

Dr Young: I am not in a position to answer that question. However, we can do some further research and get back to you through the finance service.

Michael Russell: Please bear with me. The value of the land on which the existing schools were sitting, and which Class 98 received, was roughly £12 million. Is that correct?

Dr Young: Yes.

Michael Russell: So Class 98 would have received the payments due to them and £12 million. I have calculated the annual payment to be £13.5 million.

Dr Young: That is correct.

Michael Russell: So—give or take a few million among friends—we are talking about payments of £35 million by August 2001.

Dr Young: Yes.

Michael Russell: The total capital cost of the project was £56 million.

Dr Young: Actually, it was nearer £70 million.

Michael Russell: So the figure—among friends—is £70 million. The contract was signed in August 1998; in three years—in other words, by August 2001—the company will have received from the council roughly £35 million in cash and in kind.

Dr Young: I am not in a position to say whether or not that is true.

Michael Russell: Okay. The company will receive that money in a year. There are obviously interest costs to be borne by the people who are constructing the building and so on. However, on an outlay of £70 million, Class 98 will have received something in the region of £30 million in the period between the signing of contracts and the end of the first year of the schools' operation. That is quite a return. From the figures that I have seen, the total return will be about £360 million in 25 years. What did the council do to find out whether it could get a cheaper deal than that?

Dr Young: The council went through a full option appraisal and estimated what the package would have cost if it had been undertaken through conventional means—with the massive assumption that conventional means would have been available. When the working group contrasted that figure with the expected costs of a PFI package, it concluded that PFI offered better value for money. I cannot give you any more detail about that, because I was not part of that particular group.

Michael Russell: According to the terms of the pathfinder project, the buildings do not revert to the council at the end of the 25-year period. When Jack McConnell announced that those terms would be changed, there was some discussion about applying that retrospectively to Falkirk Council. Is your council still keen to seek that?

Dr Young: I think that that is more a matter for the politicians.

15:45

Councillor Willie Anderson (Falkirk Council): Although the matter should be debated at the correct time, it should still be taken into consideration. As for whether I am happy with the situation, I might have expired in 25 years' time. However, with hindsight, the issue could have been better debated at the time.

Michael Russell: You are elected to make decisions that will have implications 25 years from now.

Councillor Anderson: The option was not open to us when we made the decision.

Michael Russell: When Jack McConnell

announced the change in status of the pathfinder project, did you press for a retrospective change in the contract?

Councillor Anderson: The simple answer is no. However, all the implications were not available for our consideration.

Michael Russell: You were involved in negotiating the contract. Do you believe that you could have—or should have—got the deal cheaper, given that the company will receive a huge reward without bearing too much risk?

Councillor Anderson: You must remember that, at the time, this was the only game in town. Because of the political decision to take things a stage at a time in order to conclude the deal, with each stage being subject to financial scrutiny and being considered in the light of what was best for the provision of education, the agreement with Class 98 was the one that we felt could provide our council area with five new schools. That had not been achieved before—it was a pathfinder project. Furthermore, we should remember that there was no extra cost to the council tax payers in Falkirk.

Michael Russell: Was not the ticket to that “only game in town” too expensive?

Councillor Anderson: As I said, it was the only game in town. Of course the expense is a matter for consideration, but as has been adequately explained, there was no other game because section 94 consents could not be used. If the Scottish Parliament had come up with a solution—perhaps by considerably increasing the money for section 94 consents—we would have considered that process.

The Convener: You have said that it was the only game in town and that you had to make a political decision. Were any other options suggested to the council by anybody else? I understand that another such option was put to the council; perhaps you could explain it and its implications to the committee.

Councillor Anderson: Locally, the SNP produced a paper called “Charitable Educational Trusts: Schools Without Tears”, which suggested that schools should opt out from complete local government control and form boards or charitable trusts—made up of councillors, parents, teachers and interested parties—that would consider a school's future. The boards would have to find the money either to fund a new school or to take care of an existing school independently of local authorities and central Government. The council would have lost teaching staff and other support from the middle. Perhaps I could give the committee a copy of the paper for its consideration.

Michael Russell: I am happy for that paper to be circulated. As the councillor said, it made a useful contribution at the time. The former convener of the education committee—as he now is—also knows that papers on public service trusts have recently been published, and I am happy to circulate them.

Councillor Anderson: The local SNP did not put that option up for debate in the council chamber. Although the SNP councillors obviously asked questions about the PFI proposal, they did not vote against the five new schools.

Michael Russell: That is because we want good, new schools. The SNP members on the council asked searching questions of the council about the PFI proposal, but they did not vote against going ahead with the five new schools.

The Convener: I have another question. I am interested in why you believed that you needed to include the following two issues in the briefing that you gave us:

“Continued Employment of all Direct Teaching and Educational Support staff”

and

“Education Policy determined and managed by Staff and Elected Members”.

I assumed that those services would be retained by Falkirk Council. Therefore, I wonder why you felt that they would have to be written into the contracts.

Dr Young: We did not want them to be written into the contract. We wanted to highlight the fundamental belief of those who were involved in discussing the various options for replacement. The charitable education trust document did not make it plain that control of the policy on schools would be retained by the local authority.

Mr McAveety: I understand that, like me, you were sceptical at the beginning of the process. Like me, you were not running about the streets, raving wildly about the opportunities that PPP provides, and your pragmatic response has been to consider the revenue resources that are available to local government. However, even if there was a golden age of local government—one of the myths that we all like to peddle occasionally—would you have had the resources to deal with the compelling issues that you and the elected members of the council faced?

Do you think that, feasibly, in any circumstances, you would have been able to find those kinds of resources other than through the PPP model of investment? It is like someone saying that they would like a ticket for an Elvis Presley concert—if he were alive—and getting a ticket to see Sydney Devine instead: the alternative is not necessarily acceptable. Perhaps

Mike Russell will agree with me about that cultural experience.

Secondly, as a director, can you tell us why blue-collar staff, but not teaching staff, should be considered for transfer?

Dr Young: I will answer your first question first.

Mr McAveety: I am not asking you to go to a Sydney Devine concert.

Dr Young: Good. I plead the fifth amendment on that.

Under any level of section 94 capital funding that I have been aware of over the past 20 years, no authority has had the leeway or the finance to replace 50 per cent of its secondary schools almost completely in two years. I accept the fact that the remit of the committee is to consider whether a mix and match of section 94 funding and private finance is an appropriate way forward, and that the two types of funding can and may have to sit side by side. However, four years ago, Falkirk Council had no such option in delivering five new schools. Two of those schools were experiencing massive structural difficulties and pupils were likely to lose days' education. At that time we had no option but to follow the pathfinder process.

Secondly, blue-collar workers were not regarded as any less important than teaching staff. It is essential for a council or education authority to have control of the policy, curriculum and staff in the teaching environment. It was expected that the job that was done by most of the blue-collar staff would not change greatly. We did the best that we could in securing a five-year continuation of pay and conditions of service. In the current economic climate, that is more than a lot of folk have. Blue-collar workers were not regarded as being in any way more expendable. The feeling was simply that the responsibility for education policy should be retained by the council, rather than—as might be the case south of the border—given to a board of governors that might be deemed to have more influence and power.

Mr McAveety: From your experience, do you think that such staff should be considered for transfer? Could you undertake the same level of capital investment without transferring those jobs? Modifications have already been made by the Treasury in its assessments of the situation over the past two years. Could further modifications be made?

Dr Young: I do not think that there was any necessity for blue-collar staff to have been transferred. However, such were the rules of the game that we were playing at the time.

Mr McAveety: Did that create more difficulties than would otherwise have been experienced?

Could you have focused that energy and time on other, more compelling and important issues? Could not that issue have been resolved through a policy directive?

Dr Young: Certainly, a lot of officer and union energies had to be put into those discussions, which were complex. The exercise was conducted comprehensively, but it was a diversion from many other issues.

Irene McGugan: You mentioned that among the major benefits of the new schools were the enhanced community facilities. However, you also conceded that there remain unresolved difficulties concerning those facilities. Can you explain the basis of those difficulties and why the community does not have ready access to the gym and the swimming pool?

Dr Young: As was outlined to members today at Bo'ness Academy, the picture varies between the schools. Community usage of Bo'ness Academy is probably less than that of any of the other schools, because of the close proximity of the local recreation centre. That is not a problem; there is simply an alternative resource.

Moving away from the traditional letting of educational facilities has proved to be more of a difficulty. Such letting has tended to concentrate on letting a facility to a specific organisation, such as a swimming or badminton club that takes the let of the swimming pool or gymnasium. However, in the Braes area, where there is a brand new school that has a beautiful swimming pool such as that area of Falkirk has never previously had, there is a natural expectation that there will be far greater freedom of access to the facility and that people will be able to go to the school of an evening, pay their money at the desk and have a swim. We are working towards that, but discussions are still required to make it happen. It is not simply a matter of our reaching an agreement with Class 98; it is also for the council to rationalise charges and methods of provision among the traditional schools, the Falkirk schools project schools and the existing leisure facilities. We are trying to introduce uniform scales of charges and methods of letting. We will achieve that, but we have not yet done so fully.

Irene McGugan: None of the five schools is deemed to be a community school, although that type of school is regarded as the way forward, because such schools offer an holistic service to families by having social work, health services and other facilities on site. Was any thought given at the time to building in such facilities or to making space available to develop that kind of initiative in the new schools? That would have been the right time to do so.

Dr Young: If my memory serves me correctly,

discussions over the PFI and the early negotiations predated the new community schools initiative. Also, when we—in common with all councils—were asked to introduce new community schools, we specifically targeted a school in the primary school sector in an area that suffers considerable deprivation. We chose to establish a new community school in the Bainsford-Langlees area of Falkirk, which has the greatest economic indicators of deprivation of any part of Falkirk.

New community schools are a matter of attitude and approach. There is nothing to stop the new schools from developing into new community schools. Indeed, the aspiration is that all schools will eventually take on board the philosophy of new community schools. We would have no difficulty with that. All the schools have built into them certain elements that did not exist in the old schools, which lead in that direction. For example, all the schools have good social spaces for the pupils, which schools did not previously have, to ensure the well being of the whole pupil. They also have facilities that are not fully allocated, which could be used to develop services in conjunction with social work and health services. The schools were not among the first two bids that we put in for new community schools, but there is nothing in our philosophy to stop them from moving in that direction.

Ian Jenkins: I will follow on from what Irene McGugan said. I was going to ask about the fact that, although the contract lasts for 25 years, education changes. What happens if you want to adapt and bring in new facilities in a building that is not your own? I am thinking of large-scale projects, such as new laboratories or places where people can be taught car maintenance and so on. If things change and you want to adapt the building, what would be the mechanics of that?

Dr Young: We can approach Class 98, as the operator of the school, and seek a price for adaptation of the building.

16:00

Ian Jenkins: Does it have you over a barrel in that regard?

Dr Young: A more immediate problem is the fact that the other four non-PFI schools are so far behind that they are where the resources will need to go for the foreseeable future.

Earlier, we touched on what will happen towards the end of the 25 years. If Class 98 wants to end up with a building that is still fit for education purposes—whatever that might mean in 2025—it is in its interests, as well as in ours, to continue to modernise that building. Otherwise, the council will not consider extending the contract. If the schools are not modernised, but become antediluvian in

comparison to the others, that will not be in the interests of Class 98. To some extent, as you say, we have to turn to Class 98 for any adaptations.

Ian Jenkins: To what extent have you benefited because it is a pilot scheme? All over the country, in various educational developments, pilot schemes have been easier, better funded and better supported than they are when they become run-of-the-mill exercises.

Dr Young: There is an old adage that pilot schemes are doomed to success. There is no doubt that we have benefited financially, in terms of level playing field support. However, the downside of that is that the council had to do a great deal of the early innovative work. That was undertaken substantially using in-house resources—senior officers were seconded from other duties. Other councils have been able to learn from our experience and to benefit from that work. We have benefited, but being first has a downside, too.

Ian Jenkins: Absolutely. How do the education officials view a council such as the Scottish Borders Council, which has schemes that are not immediately attractive in PFI terms? I know that the idea is to have clusters, but I still think that such schemes will be difficult to manage in relation to clusters of small schools. What route do you see them taking if that remains the only game in town? If the Scottish Borders Council is stuck with section 94 consent, what is the future for long-term development of schools in the area?

Dr Young: We have been very upfront in pointing out the fact that we could have funded and financed the PFI programme only by dint of the fact that we received level playing field support. Any other local authority that went down that route would have to have some income stream to meet the revenue costs of on-going PFI provision. Again, we have been very fortunate in having that afforded us largely by the Scottish Executive through pathfinder status. Any other authority coming on board would need to have a negotiable finance stream of that kind.

Ian Jenkins: A few years down the line, would you consider taking another PFI tranche for other schools in your authority?

Dr Young: That is a matter for discussion at a political level.

Ian Jenkins: Fine.

Michael Russell: Councillor Anderson, if, when your committee was making such decisions, there had been an offer of a public service trust of the type that is being used to develop public projects the length and breadth of Europe—such as that which Ken Livingstone is discussing in relation to the London underground—in which there was

ownership of the asset, operation of the public services and a cap on profit for individual companies, would you have preferred that?

Councillor Anderson: As a councillor, I would have to consider every option that was on the table and analyse their effectiveness, efficiency and economics. The suggestions for such trusts are quite exciting, but I do not know enough detail about them to give a firm answer.

Michael Russell: Would you prefer public service, a cap on profits for private investors using public money and a way in which those vital assets could be provided with a smaller profit to developers and less risk to public service jobs? You and I are politicians—it should not be difficult for us to answer that question from our political perspectives.

Councillor Anderson: We have to look at everything from the political perspective. We have been working with the private sector for a long time. I have been a councillor for 23 years and we have been working with the private sector over those 23 years. We provide many things for the private sector, such as advance factories. The companies come in and occupy those factories and it is hoped that at the end of the day they will buy them. That is a similar situation, only in reverse.

I would not count out any option. As a politician, I will analyse whatever is put on the table, taking into consideration the three Es—economy, efficiency and effectiveness—and best value. That is what we have before us at the moment.

Michael Russell: I did not realise that I was asking such a difficult question.

What is the policy of the current administration of Falkirk Council towards this PFI and future PPPs?

Dr Young: There is a pragmatic element that understands that we have got five new schools of which we are all proud. The methodology that was used to secure the five schools is not universally welcomed by the current administration.

Michael Russell: What of the future?

Dr Young: As I said to Mr Jenkins, that is a matter for political discussion.

Michael Russell: So, you have not discussed it.

Dr Young: No, we have not discussed it formally in full council discussions.

Cathy Peattie: I do not think that we should be asking officers to make political statements.

Michael Russell: I asked the representatives of the department about the council's policy.

Cathy Peattie: You are sailing too close to the wind, Michael.

The Education, Culture and Sport Committee has a fair interest in special needs education and the new schools contain what was Dawson Park Special School. How has that developed? How does making such a school part of a secondary school work?

Dr Young: As I said, that is a very sensitive issue and some parents were very anxious about it. In particular, some parents were concerned that their children should not be put in a situation in which they might be exposed to bullying. It is fair to say that, in terms of daily activity on the campus, it has worked very well. There have been occasional incidents, as we would expect in any campus that has upwards of 1,800 children, but by and large it has worked well in relation to pupil care.

Our ability to integrate the children from Carrongrange Special School into Larbert High School is still at an early stage. That was a matter of great discussion with the staff of both schools. It will not surprise the committee to hear that some members of staff in each school were more enthusiastic than others and that some had many reservations.

However, building a special needs school on a mainstream campus clearly demonstrated the authority's position. We want to move to ensure greater integration of individual pupils in the mainstream school as and when appropriate to the pupils. We are not trying to force all children into a mainstream scenario if they are not ready for it or cannot benefit from it. In summary, it has worked quite well, but in terms of curriculum there is some way to go.

Cathy Peattie: Dawson Park Special School had a very good name. People had a lot of respect for the work that was done there. Anyone who met young people from Dawson Park was struck by their confidence and enthusiasm. Parents have been concerned that that confidence will be lost. You say that we are working towards integration. Is there any way of monitoring it to ensure that the children whom we are talking about do not suffer on that road?

Dr Young: When we discussed this issue, it was fundamental that we should not go down the road of constructing an annex to Larbert High School. The new school is a separate school, with a head teacher and a school board. It shares elements of provision with Larbert High and elements of the campus but, to all intents and purposes, it is a separate school. The parents were very keen on that and the fact that it was agreed set aside many of their worries.

The youngsters at Carrongrange have had a

magnificent lift from the building. This is the first time that they have seen themselves being treated on a par with—indeed ahead of—50 per cent of their mainstream peers. They have been given a tremendous boost. Arguably, of the five schools, life has changed most in Carrongrange. I am told that when Dawson Park was opened it was deemed to be state of the art, but that was a long time ago and latterly it was anything but. The pupils and staff have seen a tremendous advance in the provision of the new school.

The Convener: I will ask a couple of practical questions about what we saw at Bo'ness Academy today. First, I noticed that the dinner hall had a swipe system; in view of the nutritional value of school meals, has that system improved the uptake of school meals generally by the young people? What effect has it had on the uptake of free school meals? An issue with free meals is the stigma that attached to the ticket system; has the swipe card helped to address that?

Secondly, you have excellent, modern sport facilities. The committee has examined school sport. Obviously this is only the first year, but have you been able to develop school sport over the past year, especially extra-curricular activities?

Dr Young: When we talked about the swipe cards this morning, I indicated that there had been a substantial uptake in school meals, but I was not sure whether that also applied to free school meals. I have talked to some folk since then and have been told that there has been a significant increase in the uptake of free school meals.

The Convener: Can we have that information?

Dr Young: Yes. We will get that information to you. I am sure that the increase is partially attributable to the swipe card system.

Michael Russell: Can you tell us in writing how that system works, because I only glimpsed it this morning?

Dr Young: Yes.

On the sports facilities, I say again that it is early days. During the time in which the schools have been open we have been embroiled nationally in the McCrone discussion. Although a line has been drawn under that, some of the benefits that we hope will come from it have not been finalised.

Some massive practical improvements have been made available to specific groups of pupils. For example, previously, pupils at Woodlands High School had no swimming pool and had to hike between a quarter of a mile and half a mile up the road in all weathers to play hockey and football on an ash pitch. As physical education has been made a certificate subject, the opportunities for pupils to study PE at standard grade and higher have been greatly expanded in many schools. The

range of curricular options that are available has been considerably enhanced.

It is also important to remember that we are trying to average out the size of the population of the two schools: Braes High is increasing in size and Graeme High is declining. As Braes/Woodlands increases, so the range of subject choice that is available to pupils increases—at one stage, the number of pupils at Woodlands was down as low as 300 to 400 and subject choice was limited. We are now stabilising both schools at about the 1,000 to 1,100 mark. The level of choice for pupils across the council will therefore be more equal.

Ian Jenkins: This morning, Mr Robbie said that the uptake of free school meals had increased by about 60 per cent. That is my recollection of what he said, although it may not be accurate.

Dr Young mentioned the change in demographics and so on in the catchment areas. Have you noticed a change in placement requests from the older schools to the newer ones?

It was mentioned this morning that an issue that was causing bother organisationally was the definition of vandalism, because the PFI company takes on the cost of repairing damage that is wear and tear, but the council has to meet the cost of repairing damage due to vandalism. Is there a negotiating machinery for that?

Dr Young: There is a negotiating machinery, involving ourselves and Class 98, on the issue of vandalism versus fair wear and tear. This is not a new discussion and it is not peculiar to PFI, albeit that it is sharpened by the PFI debate. I have plenty of experience of sitting between a head teacher and a property maintenance inspector—both council employees—who held different views on what vandalism is. To that extent, the discussion has not changed.

I have forgotten what your other point was.

16:15

Ian Jenkins: I asked whether the new schools were attracting more placement requests.

Dr Young: To some extent, Falkirk is not typical. We are lucky as Bo'ness is a self-contained unit and there is not a great deal of movement in placement requests at secondary level. There might be more in the town of Falkirk but there is no recognisable trend towards the PFI schools. It is early days.

The Convener: I thank you very much for your evidence to us. We will be in touch if we require any other information; we will get a copy of the video for our report.

Gaelic Broadcasting

The Convener: Item 2 on the agenda is the inquiry into Gaelic broadcasting. I invite Michael Russell to introduce his report and make an oral declaration of interest.

Michael Russell: As indicated in the report, I would like to start the discussion by making a declaration of interest.

I have asked the Gaelic Broadcasting Committee—the Comataidh Craolaidh Gàidhlig—to furnish me with details of all the transactions that I have had with it since its foundation as the Comataidh Telebhisein Gàidhlig. I had hoped that that would be available to me today, but I have not yet received it. It will relate to the work that I have done directly on research projects, the work that has been done by my company, Eala Bhan—the sole directors of which are me and my wife—and work that I have done for other companies in producing, directing or researching projects that were funded either by the CTG, or by its successor, the CCG, from its foundation in 1991 until now.

When the full figures are available to me, I will lodge them with the clerks as a matter of public record—so that people know that Gaelic broadcasting does not pay.

Mr McAveety: I thought that it was about value for money.

Michael Russell: The report has been circulated. I will be brief in introducing it. I am grateful to John Angus MacKay, the director of CCG, and his staff for providing some full background papers. The initial briefing note, dated 25 March 2001, is attached. I have his permission to distribute it. It gives a good analysis.

There is an appendix on the statutory basis of the establishment of the Gaelic Broadcasting Committee and a second appendix, which is the Independent Television Commission document that is given to prospective members of the committee. There are also a number of very useful and coloured—I think that it is the first time that we have gone into colour in such a report—graphs illustrating a variety of important issues. Those are prefaced by a paper by me, which gives a perspective on some of the issues that the inquiry will have to address.

It is interesting to note that one of the main objectives of the establishment of the CTG was to increase the level of employment in broadcasting within the Gaelic-speaking areas. As our inquiry proceeds, it will be useful to examine in detail what that has meant. It would be fair to say that the bulk of the jobs that have been created have not been

in the Western Isles, the north-west of Scotland or even Argyll. They have been created in Glasgow and Aberdeen—and indeed much fewer are in Aberdeen now.

The figures that have been provided by CCG show clearly that at one stage of the operation there were up to 500 full-time equivalent jobs, but the number is now as low as 250.

It is also important to note that the amount of money that was allocated by the Government to the fund in 1991 has not kept pace with inflation; it has been reduced over several years, so the spending power of that money is considerably less. The committee has also been given additional responsibilities, including for radio.

There are clearly some major issues. One is the decline in the number of Gaelic speakers, which I am quite sure that the census will reveal.

Another major issue is the fatal flaw that many believe there was in the way in which the CTG was established. It had no powers of scheduling and therefore had no powers of commissioning. It was, in essence, a clearing house for individuals who were running projects and broadcasters. It depended almost entirely on the good will of the broadcasters, who were also applicants to the Gaelic television fund for money. Therefore, the curious situation could come about in which individuals who sought to make a programme found themselves in competition with the body that ultimately would commission them or their company.

That was and is a difficult set of circumstances. Most people who are involved in broadcasting will accept that a truly independent broadcaster cannot exist unless it has control of the budget and scheduling. The CCG has some control of the budget but no control of the scheduling. There is therefore an inherent difficulty in the operation of the fund, which has created enormous problems.

In Ireland, Brittany and Wales, full-time channels have been established. Scotland, which started well ahead of the game in making money available—we were not ahead of Wales, but we were certainly ahead of Ireland and Brittany—has fallen behind, because we have not made the progress to a full-time channel.

The Milne report indicates how a full-time channel might be established. I have asked for copies of the report to be provided to the committee. The report was put together by a committee that was chaired by Alasdair Milne, a former director general of the BBC, who chaired the Gaelic broadcasting task force for the Independent Television Commission and the Home Office.

I have stressed some of the negatives. I will

stress one or two of the positives. The amount of Gaelic on television was minimal until 1991. In one year, 1977, there was no broadcast in Gaelic because of a change of personnel in the companies. There was a growing amount in the late 1980s and the early 1990s. The CCG boosted the number of hours massively. It put Gaelic on prime-time television, which was the agreement, although it is now unusual—only the BBC maintains Gaelic on prime-time television through BBC 2. An audience that had never had access to Gaelic got access to it. People could learn, understand and relate to Gaelic.

The quality of production was high. People made fun of some things—memorably “Postman Pat” in Gaelic, which, I seem to remember, featured in a scene in “Tutti Frutti”—but they watched the programmes, which regularly had audiences of 100,000 to 150,000. That, for certain times of day, was a respectable audience in Scotland. Gaelic was considered to be becoming part of the main stream of Scottish broadcasting. In pure civil rights terms, an audience that had not been served and a language that had not been supported were beginning to enter the main stream.

The CCG and its work are worth defending because of that. The committee’s job is, for the first time, to analyse—if we can—what effect the CCG has had and what might be done to assist it in future. That will be a tremendous service to the Gaelic community and the broadcasting community in Scotland and more widely.

It is also worth noting that the money for Gaelic broadcasting is the only money for broadcasting from the Scottish block with which the Scottish Parliament is involved. We therefore have a unique opportunity to consider a broadcasting matter.

I am happy to answer any questions on the paper.

The Convener: Thank you for the paper. We are all looking forward to visiting Stornoway and hearing from people at first hand on the issues. The list of witnesses that you have suggested seems sensible. I suggest that we begin to make approaches.

Michael Russell: We have already received half a dozen submissions, but we should press some people to move more quickly.

The Convener: It would be useful to make some initial approaches to people so that they are available to give evidence, particularly on the days on which we are in Stornoway. Mike Russell has made a number of suggestions. They seem sensible and perhaps we should press ahead with them.

You do not mention the minister. Do you want us to see him?

Michael Russell: It would be useful to see the minister, but perhaps we could do so once we have held both evidence sessions. We will not have an awful lot of time, but perhaps we could see him for an hour.

I have a suggestion for Stornoway. We have already had a submission from Dr Finlay MacLeod, an independent producer and director in Stornoway. He is a former assistant director of education and therefore also has a strong educational background. We should also consider taking evidence from him when we are in Stornoway.

Cathy Peattie: The paper is helpful. Mike Russell's knowledge in the area is clearly going to be helpful to our work.

It struck me that the number of people who are in training does not seem to follow through to the number of people who are employed. I would hope that some of the training and employment would stay in the Western Isles and the north, but it is coming south. We need to consider that issue. I would like us to spend some time considering training and the sustainability of training. We should examine what qualifications or other outcomes the training produces.

Michael Russell: We should probably ask the CCG for additional information on its training support and perhaps also ask Sabhal Mòr Ostaig to give us some information on that. It runs a course. That would be useful.

The Convener: Would it be useful to have people from Sabhal Mòr Ostaig come to Stornoway?

Michael Russell: It could be useful. We should ask whether they would like to come and give evidence. In Stornoway, we will want to have a fairly lengthy session, perhaps longer than normal. We should also visit the CCG's offices—it has invited us already—and the studios, where a feature film will probably be being shot at the time, and see some broadcasting activity. I am sure that, if Martin Verity and his staff speak to the right people—I will give him names—we will be well received.

Meeting closed at 16:24.

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