

EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

Wednesday 5 December 2007

Session 3

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EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE **12th Meeting 2007, Session 3**

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

*Aileen Campbell (South of Scotland) (SNP)

Ken Macintosh (Eastwood) (Lab)

*Christina McKelvie (Central Scotland) (SNP)

*Mary Mulligan (Linlithgow) (Lab)

*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

*Elizabeth Smith (Mid Scotland and Fife) (Con)

COMMITTEE SUBSTITUTES

*Richard Baker (North East Scotland) (Lab)

George Foulkes (Lothians) (Lab)

Hugh O'Donnell (Central Scotland) (LD)

Shirley-Anne Somerville (Lothians) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Mark Batho (Scottish Government Lifelong Learning Directorate)

Jon Harris (Convention of Scottish Local Authorities)

Councillor Isabel Hutton (Convention of Scottish Local Authorities)

Fiona Hyslop (Cabinet Secretary for Education and Lifelong Learning)

Robert Nicol (Convention of Scottish Local Authorities)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Nick Hawthorne

ASSISTANT CLERK

Andrew Proudfoot

LOCATION

Committee Room 3

Scottish Parliament

Education, Lifelong Learning and Culture Committee

Wednesday 5 December 2007

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

Budget Process 2008-09

The Convener (Karen Whitefield): Good morning. I welcome members to the 12th meeting in this session of the Education, Lifelong Learning and Culture Committee. I remind everyone that mobile phones and BlackBerrys should be switched off. I welcome Richard Baker, who is again substituting for Ken Macintosh.

Agenda item 1 is the budget process 2008-09. The committee will take oral evidence on the Scottish Government's budget as part of its stage 2 budget process scrutiny.

The first panel of witnesses is from the Convention of Scottish Local Authorities. I welcome Councillor Isabel Hutton, who is COSLA's spokesperson on education, children and young people; Jon Harris, who is a strategic director; and Robert Nicol, who is a policy manager. Thank you for your helpful written submission, which we received in advance of the meeting.

We will move straight to questions to allow us the maximum time for discussion. First, I want to ask about the Scottish Government's education priorities. How much money has been provided in the settlement to reduce class sizes?

Jon Harris (Convention of Scottish Local Authorities): The concordat that is associated with the spending review sets overall funding. Within that funding, we have made certain commitments in respect of the manifesto commitments that we think we can deliver. There are no specific allocations for each of the manifesto commitments. Based on the overall sum of money that will be made available to local government, we have made a judgment on the commitments that we can make, which are set out in the concordat.

The Convener: COSLA has made commitments, so it must have some idea of the cost of implementing the commitment to reduce to 18 class sizes for primaries 1 to 3 over the session. What are COSLA's costs for that? I am not asking how much you will be given by the Scottish Government.

Jon Harris: Certain costings were done on the basis of different assumptions. One question was

how much such a reduction would cost within the parliamentary session. In the negotiations, we made choices. We considered what we were capable of doing to fulfil each manifesto commitment. In respect of class reductions, we decided not to allocate funding; rather, we decided that we could deliver reductions because of demographic changes, which will result in the number of pupils in classes reducing. We decided that we would use such changes to make progress across Scotland in delivering on that manifesto commitment.

The Convener: How can you be confident that, under the settlement, you can deliver on the Scottish Government's manifesto commitment if you do not have any idea of the overall costs of reducing class sizes to 18 for primaries 1, 2 and 3?

Jon Harris: Overall, class sizes will diminish in Scotland as a result of the fall in the number of pupils. Some councils will find it difficult to reduce class sizes because their pupil rolls are increasing, but there will be a commitment across Scotland to moving in the direction of smaller class sizes for primaries 1, 2 and 3.

The Convener: Are you suggesting that where a child in primary 1, 2 or 3 was born or goes to school will determine whether they will be educated in a primary class of 18 or fewer than 18?

Jon Harris: We are saying that more resources will be required to reduce class sizes in areas in which the pupil roll is increasing. Choices will be made within the total funding that is available. Councils will make choices on how they will collectively deliver on the commitment that has been made.

The Convener: Have you carried out any evaluation of which local authorities will face additional pressures because of challenging demographics and growing populations and which you are confident will naturally be able to have class sizes of 18 because their population is declining?

Jon Harris: Well, the pupil roll in West Lothian Council, which is Councillor Hutton's council, will increase.

The Convener: But has COSLA carried out any modelling to allow you to reach that conclusion?

Jon Harris: We have a good understanding—

The Convener: Have you carried out any modelling, Mr Harris?

Robert Nicol (Convention of Scottish Local Authorities): We have not carried out any specific modelling with regard to areas where the demographics will change, but we are aware that

school rolls will vary from local authority to local authority and even within certain local authority areas. In the concordat, we have agreed that progress will be made by maintaining teacher numbers in the face of falling school rolls. Of course, that will be for local authorities to decide, because they know their own demographics best and where to focus effort to reduce class sizes.

The Convener: In other words, you have agreed a commitment—and are confident that you have the resources to fulfil it over the next three years—on the basis of your perception that class sizes in some areas of Scotland might well fall because the population is declining, but you have done no work to ascertain whether that is the case or to find out where the pressures will be felt.

Councillor Isabel Hutton (Convention of Scottish Local Authorities): We have not agreed in the concordat to reduce all P1 to P3 class sizes by the end of the specified period. The concordat says that

“the pace of implementation ... will vary”

due to a number of local factors, the most obvious of which is the situation with school rolls. In some areas, some class sizes will be reduced to 18 whereas in other areas, such as West Lothian, where the population is increasing, class sizes will not be reduced. Progress on this issue is down to individual local authorities deciding the priorities in their areas.

Mary Mulligan (Linlithgow) (Lab): Some local authorities have produced figures for the cost of reducing to 18 class sizes in primary 1 to P3. Have you spoken to those local authorities about that? Have you attempted to come to a global figure by using their information base?

Robert Nicol: As the finance directors of all the local authorities were involved in negotiations on the overall budget, any information that they had would have been fed into the process.

Mary Mulligan: After that information was fed into the process, did you reach a global figure for the cost of reducing class sizes in schools, regardless of whether the rolls were falling, rising or remaining static?

Robert Nicol: As we have said, the package that has been agreed is for the whole of local government. No specific amount has been allocated for class size reduction.

Mary Mulligan: I find it incredible that you can agree to a commitment that has not been costed. However, what I find even more incredible is your acceptance that children in a local authority area such as West Lothian, which Councillor Hutton and I represent and where school rolls are continuing to rise, will not receive the same advantages that children in other areas will receive

simply because COSLA and other local authorities have not costed the provision—I understand, though, that West Lothian Council has done so—and then sought the necessary resources from the Scottish Government to make it happen. Perhaps Councillor Hutton can answer that question.

Councillor Hutton: We should remember that not only COSLA but the leaders of all 32 local authorities were involved in the negotiations.

West Lothian Council has costed the increase in its school rolls. I understand that the Scottish Government has already given West Lothian Council just over £2.5 million of the £40 million across all 32 local authorities towards reducing class sizes. Again, it is a question of the pace of implementation of class size reductions.

Mary Mulligan: Let us be clear: the £40 million is for 2007-08, which is the current year. What we are talking about is the budget for 2008 to 2010. You do not seem to have the figures that would assure me that the agreement that you reached in the concordat can be delivered for every child in P1 to P3. I am particularly concerned that children in areas such as mine, where school rolls are increasing, will be disadvantaged. You are quite happy with that.

Robert Nicol: We agreed in the concordat that the pace of implementation will vary. Our focus is still on improved outcomes for children. The pace of implementation of class size reductions throughout the country will vary due to local factors, but we are still focused on improving the overall educational outcomes and other outcomes for children. They will not necessarily vary in the sense that you mean, but the way in which class sizes contribute to that will vary due to local factors.

Mary Mulligan: Rest assured that, unlike some, I appreciate that it is not just reducing class sizes that will increase educational attainment. However, given that you signed up to the agreement but are unable to tell me why you signed up to it at the rate that you did, I have to say that I am not reassured.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Did the negotiating team give the Government an estimate of the cost of implementing the policy in full in the current session of Parliament? I need not remind you that you are on the record.

Robert Nicol: The finance directors and others who were involved in the negotiations had a number of figures, probably, which they used to inform our negotiating position. I do not have at my fingertips the figures that they may or may not have used, but the finance directors in our negotiating team had a number of pieces of information that they would have used to inform our negotiating position.

Jeremy Purvis: What was the figure for implementing the policy in full that COSLA put to the Government?

Jon Harris: The issue was how quickly we could move to reduce class sizes—one session, two sessions or three sessions. What we negotiated as part of the overall package is that we would look to demographic change to make improvements—

Jeremy Purvis: Shall I ask the question again? I am not sure that you heard it. What is the figure that was presented to the Government for implementing the policy in full in the current session of Parliament?

Councillor Hutton: We do not have the figures at our fingertips.

Robert Nicol: We do not have the figures to hand, but our approach to negotiating was always that the policy would be implemented through demographic change. We negotiated an overall settlement. How councils prioritise within that settlement will determine how much is spent locally on class size reduction.

Jeremy Purvis: You do not have the figure to hand. Will you furnish that to the committee before we conclude our deliberations on the budget? One would have thought that, in preparation for attending a parliamentary committee, you would get that information. However, you will be able to provide it to the committee.

Robert Nicol: If we provided that information during the negotiations we can feed it back to the committee, but I cannot say for sure whether we did provide it.

Councillor Hutton: I have been advised that no specific amounts of money were assigned to any commitment in the concordat. It was part of the overall settlement, which was part of the package that COSLA and the Scottish Government negotiated. If there was anything, we will provide it.

Robert Nicol: If we did have figures, we can provide them to the committee.

Jeremy Purvis: Did you present to the Government a figure for how much it would cost local government to implement that policy in full during the current session of Parliament?

Robert Nicol: I will repeat exactly what I have said before.

09:45

Jeremy Purvis: You do not know?

Robert Nicol: We negotiated it as a whole deal. There might have been information that the finance directors used to steer our negotiations,

but we were negotiating a whole package, not specific moneys for specific commitments.

Councillor Hutton: We also have to re-emphasise that the concordat did not say that there would be a reduction in class sizes within the current session of Parliament. COSLA did not sign up to that.

Rob Gibson (Highlands and Islands) (SNP): Given the significant differences between councils and the fact that COSLA has a co-ordinating role, I can understand why it is quite difficult to draw out specific figures. Even the variations in the number of pupils and schools in different councils would make it difficult to draw those figures together.

In the past three years, councils have had an average 4.3 per cent increase in spending, but because of the budget settlement that has been handed down by the chancellor in London, we are talking about a 1.4 per cent increase for this year and over the next two or three years.

How will efficiency savings help you to find cash, whether in a council such as West Lothian, which needs to fund a growing population, or a council in a deprived area that is trying to renew its school stock? Two per cent is expected—which is, of course, lower than the ambition in the rest of the UK.

Jon Harris: As regards the overall deal in the concordat, the sums of money that are available are extremely tight. That is why we felt it was important to look at the non-cash benefits that give flexibility in how money can be used—to allow us to prioritise. It also gives us an incentive to drive our efficiencies and bring that into front-line services. Previously, we were the only part of government that had its efficiency savings top-sliced at source. We hope to use the increased flexibility and the ability to retain efficiency savings to shift resources into the front line. As people have rightly said, there are pressures on us regarding how we use our resources—whether energy, pensions or whatever—and we will have to meet those pressures. The deal in relation to the manifesto commitments was negotiated in that context and the context of the resources that are available for, for example, reducing class sizes. We will reduce class sizes if the demographics and the teacher supply allow us to do that.

Rob Gibson: That sounds a good deal more like the reality of recognising the diversity in Scotland. You obviously agreed in the concordat that it would allow local government a good deal more flexibility to do what it thought was best in each area.

Jon Harris: Yes.

Councillor Hutton: The spirit of the concordat was that, rather than being prescriptive from the

top down, local authorities are being allowed to make decisions as they know best what is needed in their areas. It provides for mutual respect between the different spheres of government—local government and the Scottish Government. We are moving into interesting times.

Rob Gibson: It seems to be a cultural shift that some people are finding it difficult to accept.

Richard Baker (North East Scotland) (Lab): Nevertheless, COSLA's submission mentions clearly

"our costed understanding of our spending requirements"

and the

"overall year on year progress"

that will be made on that commitment.

If local authorities are to be held to that commitment, it will be important for them to know how much it will be costed at and for the Parliament to be able to examine the budget to see whether it is achievable in the settlement that you have reached with the Government. As Mary Mulligan said, local authorities are now calculating what they believe will be required to meet the commitment on class sizes, in particular. Will you gather those figures together, to inform your approach to the budget? Will there be local figures for people in councils to look at and a national figure for us to look at?

Councillor Hutton: There will be regular meetings between COSLA representatives and ministers—that is quite new and groundbreaking—and COSLA will have meetings with the 32 local authorities. That will give everyone the opportunity to feed in any pressures, benefits or experiences that they have, so that COSLA representatives can feed them in as part of the equal partnership with the Scottish Government.

Richard Baker: So, if those figures are available, you will collate them and feed them in?

Councillor Hutton: Yes. If there is anything that local government wants to raise, we will be more than happy to raise it.

Richard Baker: And once you have collated those figures, they will be available to the committee?

Jon Harris: Councils will make their own estimates in fixing their budgets for this year, and the figures will be different from council to council. Those differences—for example on the issue of class sizes—will become clearer in the course of that budget setting. We will monitor that. The concordat also contains an agreement that we will have regular meetings with the Cabinet to monitor progress towards the commitments. That will be an on-going process. Councils are approaching

the issues from slightly different perspectives, reflecting differences in their demographics, teacher supply, infrastructures, and so forth. We will have to monitor the situation council by council.

Richard Baker: That is fair enough, but at the end of that process there should be figures that you are able to collate. Will COSLA make those figures available for the committee's deliberations?

Robert Nicol: We are not collating figures. If pressures arise, we can identify them and feed them in through the oversight processes of which Councillor Hutton and Jon Harris have spoken. Councils set their own budgets, but they do not yet know the amounts that have been allocated to them. Once they have the whole picture, they will be able to decide for themselves whether to sign up to the agreement.

Richard Baker: But in your negotiations there will be transparency about the figures they are using?

Robert Nicol: As I have said, we do not plan to collate any figures on class sizes; however, we will monitor the process and our information is readily available on the internet.

Jon Harris: We are seeking to do that in a way that allows us demonstrably to measure progress, not just in relation to the manifesto commitments on class sizes, but in relation to all the commitments that we have made. That will become transparent. The issue is the decisions that individual councils will take. Councils that have different demographics and falling school rolls can use the opportunity to make progress. Some councils will use their flexibilities to prioritise class sizes in their spending. Such decisions will be made council by council, and we will monitor the situation overall. It is not just about money; it is about opportunity.

Elizabeth Smith (Mid Scotland and Fife) (Con): Good morning. I want to ask about the six main priorities for education spending that are set out in the concordat and in the paper that you have presented to the committee. Are those the only six priorities or are there others? You say that the concordat includes those six priorities. Does that imply that there are other priorities as well as the six that are listed?

Robert Nicol: What we have listed in our submission are the specific concordat commitments that we have agreed with the Scottish Government. There are other areas of partnership working between local government and the Scottish Government, and outcome agreements that will contribute to education and children's services. One piece of work that has just started is our partnership work on the early years strategy. The commitments that we set out in our

submission are the concordat commitments that COSLA negotiated with the Scottish Government. Some of those flow from manifesto commitments.

Elizabeth Smith: Did some of the six priorities appear to be more important than others?

Robert Nicol: There is no ranking. The priorities flow from manifesto commitments. We have agreed that local government as a whole will take them forward, as set out in the concordat.

Elizabeth Smith: Are they national commitments?

Robert Nicol: Yes.

Elizabeth Smith: So you envisage no variation on a regional basis?

Robert Nicol: Naturally, there will be variation in approach and in how the priorities are delivered. It is a tenet of the new agreement that local authorities have the freedom and flexibility to decide how best to deliver the commitments, within what has been agreed overall. That means focusing on demographics to meet the class sizes target through falling school rolls, where possible. The same approach applies to early-years provision.

Elizabeth Smith: In answer to questions from Mary Mulligan and Jeremy Purvis, you said that you had no financial figures to back up the commitment on class sizes. If the priorities were not based on financial figures, how did you arrive at them? What were the governing factors that made you pick out these six commitments, rather than others?

Robert Nicol: Some of them—for example, that on class sizes—flow from the Government's manifesto commitments. The expansion in early-years provision is also a manifesto commitment. The negotiations were for the whole package of measures. We tried to reach the best possible settlement in the circumstances.

Elizabeth Smith: When you drew up your COSLA manifesto prior to the election, did you have formal costings for the overall package?

Robert Nicol: The commitments do not flow from the COSLA manifesto, but from the Scottish Government's manifesto.

Elizabeth Smith: In other words, you have accepted the Scottish Government's manifesto commitments.

Robert Nicol: We have not. We have accepted that we will take forward the commitments, based on the wording of the concordat.

Elizabeth Smith: I would like get this point absolutely clear. Are you accepting the six commitments in the concordat as educational priorities?

Robert Nicol: I make clear that we have signed up to what has been agreed on class sizes, early years, kinship care and free school meals.

Elizabeth Smith: I return to the answers that you gave to Mary Mulligan and Jeremy Purvis. If there is no financial costing behind the six commitments, can you guarantee that there is some logic or reason for deciding that they are the right priorities for the future?

Robert Nicol: I have tried to explain that local government's work will not be limited to the six commitments. They flow from the Scottish Government's manifesto, which, as you know, included commitments on early years and class sizes. Those are specific commitments that were part of the overall negotiated package.

Jon Harris: They were manifesto commitments that the Government brought to us. It asked us what we could deliver for the finances that will be made available to local government. The commitments were considered as a package. Clearly, decisions were made about what needed money up front and what could be delivered in other ways. In effect, the deal was for the whole package. Given the resources that were available to us, the flexibility that we were being offered and the incentive of being able to recycle efficiency gains, we thought that, in the concordat, we could sign up to the commitments, which are not the commitments that were in the Government's manifesto.

Elizabeth Smith: If you have an overall package, surely there must be a financial figure for that. It would be only reasonable to break down the package into the six component parts to assess or estimate the costs of putting it together. Will you clarify whether that has happened? It would be worrying if such a breakdown had not been done.

10:00

Robert Nicol: There is no breakdown for any specific commitment. We are saying that, within the overall settlement, local authorities can prioritise their move towards fulfilling the commitments in a way that is appropriate locally. That may mean that levels of investment differ among the local authorities, to allow them to meet their local priorities. We have agreed the overall package. Local authorities will sign up to it if they want to and, within that, they will decide how much they can focus on each commitment, given the other flexibilities that have been granted with the agreement.

Elizabeth Smith: Are you confident that the 32 local authorities in Scotland are likely to sign up to the concordat? Do they see it as containing the main policies that they want to deliver, or will there be a lot of variation on a theme?

Jon Harris: The concordat was put to the council leaders, who agreed that it was the best deal that could be made in the circumstances. It has now been referred to individual councils, but the leaders have all signed up to it.

The Convener: Before I let in Jeremy Purvis, I ask Mr Nicol to clarify his response to Liz Smith's question about costings. Did you say that COSLA did not have costings for any of the six policy commitments on children's services in the concordat?

Robert Nicol: I meant that there is no specific allocation of funding for any policy commitment. We have an overall package. Local authorities can take the overall funding that they are given and, based on their local circumstances and needs, prioritise how it is spent. I hope that that is clarification enough.

The Convener: When you entered into negotiations with the Scottish Government on behalf of COSLA, did you go with costings for the delivery of any of the priorities?

Robert Nicol: As I said, the negotiations involved senior finance directors and our presidential team. They were negotiating to get the best overall package, which included several non-funding matters, such as the outcome agreements. They were negotiating the whole package—that is what we set out to achieve. Obviously, there would have been indicative figures and information from local authorities would have been fed into the negotiations. We tried to get an overall package that would give local authorities the freedom to decide locally how they prioritise the spend.

The Convener: Perhaps Councillor Hutton would like to respond. The reason why I ask the specific question is that paragraph 3 of your written submission states:

"The negotiations with the Scottish Government were clearly based on our costed understanding of our spending requirements".

What are COSLA's spending requirements and how do they match up to the spending commitments that you have signed up to deliver in the spending review period?

Councillor Hutton: As I said, we did not sign up to deliver the commitments in the concordat in this session of the Parliament. As a result of the detailed negotiations between the presidential team and the Scottish ministers, local government was given £11.137 billion, which I understand was the best settlement that local government could get, given the tight financial restraints.

The Convener: Is that how much COSLA asked for?

Councillor Hutton: Pat Watters gave evidence at committee yesterday. I am sure that he would also have been asked that. Would that information have been provided, Jon?

The Convener: Obviously, Mr Watters is not here, but you are here, Ms Hutton. I would have thought that, as you were coming to the committee, some preparation would have been made. Having such figures to hand might have been helpful. It is not unexpected for the committee to ask questions of this nature and detail.

Jon Harris: There was a negotiation, and the cost impacts would vary from council to council. There would also be a variation in the commitment. If a commitment was made to deliver class sizes of 18 in primaries 1 to 3 in this spending review period, there would be a significant cost to that. We did not end up in that situation; we ended up with what we have in the concordat. We will deliver that throughout Scotland on the basis of the opportunities that are presented by demographic change. Overall, Scotland-wide, that will lead to progress on the delivery of that manifesto commitment. However, it will not be delivered in this spending review period or this parliamentary session.

The Convener: In the negotiations between COSLA and the Scottish Government, local authorities know how much they spend to deliver education services, nursery care, pre-school services, school meals, school building programmes and future liabilities. They know how much money they require to meet those commitments. The committee is asking you how much COSLA asked for in the negotiations to fulfil those on-going commitments. Also, what additional money do you require to fulfil your commitments on the six priorities that you have signed up to deliver?

Jon Harris: We can forward you the submission that we made in terms of the spending review, which gives a picture of where we see pressures and so on. We made a conscious decision not to go with a long list of funding pressures but to negotiate the best overall deal that we could. The outcome is challenging in that the money is not as we would have hoped. However, we felt that it was the best possible deal. We feel that, given the Scottish Government's manifesto commitments, what is written out in the concordat is affordable. That is not to say that it will be easy to afford, but it will be affordable, particularly given the flexibilities for the use of money and the fact that our efficiency savings will not be top-sliced. That was the judgment.

The negotiations and figures varied depending on what was on offer, what was being committed and what was not being committed. The

agreement was made on the basis that we got an overall amount of money: £11.137 billion. We felt that, within that package, the commitments as set out in the concordat—which are not the same as the commitments that were contained in the Government party's manifesto—represented a deal that we could sign up to. That is what we recommended to council leaders.

The Convener: First, did COSLA not in fact ask for £3.92 billion, meaning that you got considerably less than you asked for? Secondly, how can you be confident that something is affordable if you do not know how much anything costs?

Jon Harris: As I said, it was a negotiation in terms of what, overall, we felt we could—

The Convener: You have already stated that. I am specifically asking you how something can be affordable when you do not know the cost of delivering any of the policy commitments. How can you make that assessment?

Jon Harris: We made that assessment as part of our negotiation.

Jeremy Purvis: I want to go back to the specifics regarding the class sizes promise. You will have noted that the First Minister was asked, when he outlined the programme for government, whether the class sizes promise for primaries 1 to 3 would be delivered within this parliamentary session. He confirmed to Parliament that it would be. Is it your evidence that that is now not the case and that the policy will not be delivered this session?

Councillor Hutton: We have certainly agreed with the Scottish Government that progress on reducing class sizes in primaries 1 to 3 will be made as quickly as possible. However, we have also agreed that the pace of implementation will depend on local circumstances, such as changing populations and school estate constraints. There might be some areas where implementation could happen within the session, but there are others where it will not. The Cabinet Secretary for Education and Lifelong Learning has advised us that she would like to see year-on-year progress. I think that she has made subsequent statements to that effect.

Jeremy Purvis: Overall, for Scotland in its entirety, the policy will not be delivered in this session of Parliament.

Councillor Hutton: Our position has always been that there will be year-on-year progress.

Jeremy Purvis: You said that some areas will experience constraints such as changing demographics. What evidence will you use to show that in Scotland overall school rolls will fall over the period of the spending review?

Jon Harris: We have the population projections of what class sizes will be. Therefore, we know that there will be an opportunity in much of Scotland to make progress. That will not be uniform, because there are areas, such as around Edinburgh, where the school rolls are rising.

Jeremy Purvis: You will know that the most recent indicators from the General Register Office for Scotland show that there will not necessarily be falling school rolls. Can we tell local authorities that are forecasting falling school rolls that they have to retain the same level of teaching staff that they have at the moment?

Jon Harris: We see an opportunity to reduce class sizes by retaining the same level of staff.

Jeremy Purvis: Is each local authority free to make that decision?

Jon Harris: Yes.

Jeremy Purvis: So, even in the areas where the rolls are falling, there is still no guarantee that local authorities will choose to retain teacher numbers.

Jon Harris: Individual local authorities are now considering the concordat and the terms of commitments that are made. We are saying that the concordat is the best deal that could be made, given the circumstances.

Jeremy Purvis: Forgive me, Mr Harris, but you said clearly to the committee a number of times that the policy is predicated on the commitment being met in areas where there are falling school rolls and demographic changes. Are local authorities that have falling rolls able to decide not to cut teaching staff levels?

Jon Harris: The agreement was negotiated with the 32 local authority leaders and they felt that we could sign up to the policy. There is shared understanding that one way of increasing pupil attainment is to reduce the size of the classes.

Jeremy Purvis: Have all councils signed up to the policy?

Jon Harris: The leaders signed up collectively, as COSLA. COSLA said that the agreement was the best deal possible. Obviously, it needs to refer that to individual councils, which will have to make their commitments as part of setting their budget.

Jeremy Purvis: How many councils have falling school rolls in their area?

Jon Harris: I do not know the exact detail, but I can come back to you on that.

Jeremy Purvis: Given that you have said that the policy is predicated on having such councils meet the commitment, I would have thought that you might have known how many of the 32 councils are expecting falling schools rolls. Of

those councils, how many have signed up to retaining teaching numbers as they are at the moment?

Robert Nicol: No council has signed up to that; they are waiting until they learn what their allocations of funding are later in the month. Once councils have their allocations, they will be able to agree the overall package.

Jeremy Purvis: But there is no guarantee that local authorities that are expecting falling school rolls will choose to retain staffing numbers because they are not receiving any additional money in the settlement.

10:15

Jon Harris: The deal was on the terms of the overall package. We would expect those commitments to be made and we will monitor that as part of the process.

Jeremy Purvis: But you cannot expect the commitments to be made if they have not made the commitments.

Jon Harris: The budget-setting process is under way. As part of that process, those commitments will be made—

Jeremy Purvis: Is it your expectation that those councils will sign up to this and retain teacher numbers?

Jon Harris: Our expectation is that we will make progress in reducing class sizes during this parliamentary session.

Jeremy Purvis: What are you defining as progress?

Jon Harris: A reduction in the school class sizes.

Jeremy Purvis: By one, in Scotland?

Jon Harris: I cannot answer that.

Robert Nicol: Progress will be down to individual local authorities. We have said that we would like to make year-on-year progress. However, that will be built up from the ground level.

Jeremy Purvis: Would it be progress if any class in Scotland that currently has more than 18 pupils were to get down to that level? If one class in Scotland has a lower number in 2011 than it has today, would you say that that is progress?

Jon Harris: Well, limited.

Robert Nicol: We have set out how we want to make progress. How much progress is made depends on local factors. There are no targets set.

Jon Harris: Under the concordat, we will be regularly monitoring the situation in partnership with the Scottish Government.

Jeremy Purvis: It does not look as if you are going to be busy.

Jon Harris: I think we will be.

Jeremy Purvis: How are you going to be busy monitoring something when you do not know what the situation is at the moment, you do not know how many authorities have falling school rolls and you do not know which authorities have said that they will retain teacher numbers? How are you going to monitor a situation like that?

Robert Nicol: These are situations that are down to individual local authorities, as employers—

Jeremy Purvis: Forgive me, Mr Nicol, but COSLA has said that it will be monitoring the situation.

Robert Nicol: That is not what we have said. We have—

Jeremy Purvis: Mr Harris just said it.

Robert Nicol: We have been saying that, as part of the oversight arrangements, pressures that are identified can be fed into the process between COSLA and the Scottish Government. Obviously, that will require information to be fed up to COSLA on an on-going basis. We have in place executive groups whose memberships include elected politicians and we have good relationships with the professional associations. All of that will enable good partnership working between local government and the Scottish Government to identify and address any issues that occur during the concordat period.

Jeremy Purvis: Scottish Borders Council has said publicly that it will not deliver this policy because it has no resources to do it and it has increasing school rolls throughout its area. How will you monitor progress in that area?

Jon Harris: The same monitoring arrangements will continue. Education, for example, is a statutory responsibility, which means that the monitoring will continue. We will be monitoring the situation to determine the extent to which we are delivering on those commitments.

Jeremy Purvis: How many classes in Scotland have fewer than 18 pupils at the moment?

Jon Harris: We can come back to you on that. I do not know precisely how many—

Jeremy Purvis: But COSLA knows?

Robert Nicol: There are Government statistics on average class sizes in primaries 1 to 3 and elsewhere. I do not have those figures to hand, but they are available on the Scottish Government website.

Aileen Campbell (South of Scotland) (SNP): If the costs vary between local authorities, will that be monitored in your regular meetings with the cabinet secretary? How significant will those meetings with the Government be in ensuring that COSLA can make progress towards achieving some of the national policies that have been identified?

Councillor Hutton: They will be significant. We are moving into a new era of joined-up partnership working. I might be wrong, but it feels as though, for the first time, we are devolving a lot of power and responsibility locally. If local government does not deliver locally, it is accountable to the electorate.

Certainly, for the first time I think, there is a mutual trust. Previously, I almost got the feeling that local government was not trusted on matters such as looking after children, education or kinship care. I might be wrong, but I think that, for the first time, we are moving into an exciting era of joined-up thinking and regular meetings with the Scottish ministers. I know that many councillors to whom I have spoken through COSLA are—like me—trying to get their head round the top-down prescriptive approach that we traditionally had whereby we were told from above how to deliver services. In fact, some of us councillors know what is needed locally and we can identify local priorities. It will be good if policy from the Borders, West Lothian or wherever can now start to be fed upwards rather than have everything come from the top down.

I know that Mary Mulligan is shaking her head. I am disappointed at that because I know that many politicians locally have seen a difference in the working relationship between MSPs and councillors. I welcome that.

The Convener: Several members have follow-up questions, but we have a couple of lines of questioning on which we are still to start. I will let Richard Baker and Liz Smith in, but they must be brief.

Richard Baker: I have only one question. Councillor Hutton talked about the need to trust local authorities to deliver key services. Of course we trust local authorities to deliver those, but they will not be able to deliver them properly without adequate resources. That is what we are trying to get to the bottom of today. Paragraph 6 of the COSLA submission refers to

“A reversal of the trend over recent Spending Reviews which left Local Government with a decreasing share of public expenditure in Scotland.”

Is it not the case that, of the £385 million growth in the local government settlement, £210 million is specifically for the council tax freeze? Funding for council services will in effect decline, as it will increase by 0.5 per cent per annum, compared to

a 1.6 per cent increase in health funding. Can you not understand why some of us are sceptical about how local government will meet the terms of the concordat when funding for services will increase by only 0.5 per cent?

Jon Harris: Again, we come back to the fact that this is a tight settlement. What we have negotiated, with the flexibilities that we have been given, is what we think we can deliver. Clearly, we have also built in a monitoring process and a review of progress each year. If decisions on resourcing need to be changed, that is where they will take place. We see the agreement as a more positive way of doing business between the two spheres of government. If there are difficulties, we will need to address them together.

Elizabeth Smith: I am delighted that there might be more bottom-up negotiations, as that is a much better way to run education, but that does not take away from the fact that this is a tight settlement from the Scottish Government. Our concern as a committee is that not much proper costing has been done on the commitments for the different regions and that there is not much on the specific priorities that can be addressed. The guidance that is given seems very sketchy indeed.

Robert Nicol: As I said before, the approach that is taken to non-specific commitments such as the one on class sizes will be very much a local matter. People will need to work within the local circumstances. I was not entirely sure whether you were saying that there should be more guidance on the commitments.

Elizabeth Smith: It is extraordinary that, if COSLA believes that the priorities should be more regionally based, it has not sought more information from the different local authorities on what they can and cannot deliver. I find that extraordinary.

Robert Nicol: Essentially, what can and cannot be delivered will be down to local circumstances. If an authority's school rolls are rising, that might mean that it will not be able to reduce all class sizes to 18. We have agreed the overall national commitments, which are carefully worded. How those are delivered will naturally depend on local circumstances.

Rob Gibson: I want to find out how you will cope with one of the new developments. The committee has heard from witnesses in the further education sector who feel that their budget allocation will allow them to continue to operate at current levels and no more. The concordat between the Scottish Government and the local authorities includes a policy to give more pupils access to vocational learning, some of which will be delivered by the colleges. To make that proposal workable for further education colleges

and to allow them to afford to deliver such courses, they will have to be paid for at full cost.

Have local authorities understood that cost pressures in other parts of the education sector might require them to fund additional training for large numbers of pupils at what might be significant—in other words, full—cost, given the need for FE colleges to remain financially sustainable?

Robert Nicol: I would not want to comment on the FE budget; we negotiated the local authority budget.

There are different ways of delivering vocational education across the country. School-college partnerships are one method but, for geographical reasons, they do not work in every local authority area and sometimes they work only in parts of a local authority area. The fact that a college might be quite distant from the school in a rural area means that it might be more appropriate for vocational education to be delivered in the school. With the Government, we have agreed to develop policy that will allow local solutions to delivering vocational education to be developed. That is one of the strands of the positive partnership working that we have embarked on.

Rob Gibson: You cannot say that the delivery of vocational education will be uniform.

Jon Harris: The policy development section of the concordat says that policy will not stand still and that issues will arise. For example, we will work with the Government to develop policy on early years education. As part of the development process, we will negotiate on what resources are available or could be made available. In our view, that is a more positive way of developing policy. In the longer term, that will be one of the most significant benefits of the development of a new relationship between local government and the Scottish Government. We will be involved in the development of policy at ground level and will not be brought in at the consultation stage. We have built into the spending review a yearly review so that we will have an opportunity to rethink how we spend our resources and to rethink our commitments.

Rob Gibson: You are saying that it should be easier for you to make such policy developments.

Jon Harris: Yes. We feel that if we are involved in the process at an early stage and can bring to it our views on what some of the delivery issues and the problems might be with a particular policy, and on how much it might cost, we will be able to influence the way in which the policy is developed. That will avoid our suddenly finding ourselves in a situation in which we are asked to respond to a consultation on a policy that has already broadly been developed. We feel that the new

arrangement will give us an opportunity to be in at the start of policy developments. An example of such a policy development is the early years strategy. We have already started having meetings with civil servants on how to progress that.

Rob Gibson: It is important that we establish that your ability to have a clear perception of the global sums of money involved is new. I do not know whether you would like to comment on the fact that there was an overallocation in the Labour-Liberal Democrat Administration's budget of £220 million. The fact that John Swinney has set out the Government's budget in a much clearer fashion means that people now have a much better idea of what they can spend than they did before.

10:30

Jon Harris: We negotiated with the current and previous Governments to get an agreed base budget. This particular negotiation has not just developed a base budget in terms of revenue but added a base budget in terms of capital. That is a step forward.

Rob Gibson: That is a good step forward.

Coming back to the FE question, you talk about different areas of the country having different solutions. Nevertheless, if we are to deliver the kind of vocational training that we are talking about, local government might have to pick up the tab for keeping pupils in school longer. Can you see a way in which you can identify the cash for that?

Robert Nicol: Throughout the country, there are different ways of delivering vocational education. We want to develop policy further. Ministers have talked on the record about access to all, and about parity of esteem between vocational and academic education. With that in mind, we will look to further policy. If that highlights costs, we can raise the issue with the Scottish Government. However, we are at the beginning of a process of partnership working on that.

Mary Mulligan: I have a brief supplementary question. Mr Harris mentioned the early years strategy, particularly in relation to increased entitlement to nursery provision. Did COSLA estimate how much it would cost to increase nursery provision from the new level of 475 hours per annum to 570 hours?

Robert Nicol: As I said regarding class sizes, all our costings were intended to develop the overall package. We have set out that we will move to the higher figure by 2010. Local authorities were fully funded in the summer for an initial increase, but will move to the higher figure by 2010. Again, all the costings are part of the overall package, as that is how we approached negotiations.

Mary Mulligan: I wonder how you can come to an overall figure when you do not seem to have individual figures to put into that pot.

However, I return to my question. Much of the education skills and children's services agenda will be delivered by local authorities. In ensuring that national priorities are met, how can we ensure that the outcome agreements will be effective?

Jon Harris: We are negotiating a single outcome agreement around the five strategic priorities supporting outcomes and the national indicators. We are in the process of developing local outcome indicators that relate to that, and developing a template of what a single outcome agreement will look like. You need to understand that the single outcome agreement will be set in the context of continuing statutory responsibilities, so there will be on-going monitoring of that. The focus of the outcome agreements in each area will be to identify those areas—such as health, pupil attainment and safer communities—that require significant improvement. That will be negotiated by the council, the community planning partners and the Scottish Government. The outcome agreements will focus on a relatively small number of priorities, because if you do not focus on the performance improvements that are important for a community, you end up spreading your resources too thinly.

We have started that process. We feel that it will make local government and the Scottish Government jointly more accountable, because we will say how we will spend our money, what our priorities will be and what we will achieve by such and such a date. That is positive, because we will be accountable to our communities and the Scottish Government feels that, across the public sector, we will be more accountable to Parliament.

Mary Mulligan: Are indicators such as

"Increase the proportion of schools receiving positive inspection reports ... Increase the proportion of pre-school centres receiving positive inspection reports"

and

"Increase the overall proportion of area child protection committees receiving positive inspection reports"

appropriate as outcomes?

Jon Harris: We were invited to comment on the set of national indicators. There is no indicator for some areas, so one way of getting some initial feelings for performance is to use inspectorate reports. We wanted the national indicators to specify a high level for what we as a nation want to deliver; our local outcome indicators will probably focus more on how we deliver those outcomes. For example, on health, some councils will tackle drug and alcohol abuse, smoking or obesity. That may vary from one council area to

another, but it will be part of our overall commitment to improve people's life chances, quality of life and health and to tackle health inequality. However, some national indicators are there as proxies because we do not have outcome measures to measure them.

Mary Mulligan: I agree that outcomes are more appropriate for measuring impact on society than the kind of things that we have listed. However, you have also claimed that delivery on outcomes increases accountability. How can you argue that, given that you seem to assume that some local authorities will not be able to deliver for whatever reason—perhaps population increase? How does that make local authorities or the Scottish Government accountable?

Jon Harris: We have signed up to delivering improved pupil attainment as an outcome. That is how we envisage the decisions on class sizes being picked up. Class size reductions are one route to improving attainment outcomes, but there are other routes that might be equally appropriate.

Mary Mulligan: The inputs to deliver those outcomes will vary and the demands within the local authorities will vary, so how can we be sure that the outcomes will be delivered?

Jon Harris: All local authorities have looked at the national indicators and have signed up to the strategic priorities and to using the indicators. We know that they are not perfect and that there is work to be done. We felt that improving pupil attainment was probably a better outcome than measuring class sizes, but we regard class size reductions as one route to improving pupil outcomes.

Mary Mulligan: I agree with you on pupil attainment. That would be my priority as well, but I did not promise to ensure that every child in primary 1 to primary 3 would be taught in a class of 18. If that is not achieved, what will the sanction be for not achieving it?

Jon Harris: It will be monitored and we will be in negotiations with the Scottish Government on how we respond to it. If there is an issue and we are not delivering a particular commitment, we will consider how we can respond. There may be many reasons for not delivering and we will have to deal with them as they arise.

Councillor Hutton: I like to think that we are working towards partnership working and that, if there are pressures, rather than having prescriptive sanctions, we would take a joint approach to alleviate those pressures and deliver the desired outcome of a reduction in class sizes to 18, year on year, throughout the 32 local authorities.

The Convener: I do not think that anyone would suggest that local and central Government should not work in partnership.

Councillor Hutton: I am pleased to hear that. Thank you.

The Convener: No one would suggest that for a minute, just as no one would suggest that the new Government in Edinburgh is the first to sit down around the table with COSLA. That seemed to be the suggestion earlier on.

Mr Purvis has some final questions.

Jeremy Purvis: On 14 November, in response to a question that I asked, the Cabinet Secretary for Finance and Sustainable Growth said that a substantial amount of the education and lifelong learning budget has been transferred to the local authority block. How much is that?

Jon Harris: I was not aware of that. I do not know how the money was reallocated within the Scottish Government. Again, I will come back to you if we can find out the figures. We negotiated an overall block of money as distinct from a block of money that came from different parts of the Scottish Government.

Clearly, issues around the transfer of money to local government might arise from changes to the ways in which we handle enterprise, Communities Scotland and so forth. Again, we are negotiating on those one by one.

Jeremy Purvis: To clarify, you do not know how much has been transferred from existing budget lines for education and lifelong learning to areas that have been rolled up into the local government block for education and lifelong learning.

Jon Harris: You are talking about the funds that were previously ring fenced.

Jeremy Purvis: Yes, or indeed other funds from the education and lifelong learning budget, whether they are for skills, workforce development or other functions that have been transferred to local government and which are linked to tertiary education.

Robert Nicol: We have said repeatedly that we negotiated the whole package, or the whole settlement. Wherever the money comes from in the Scottish Government, it is part of the overall negotiation. No element of the local government settlement was allocated specifically for education or any other policy area. It is a whole settlement, and local authorities will prioritise spending locally as they see fit.

Jon Harris: We certainly know which funding streams are no longer ring fenced. We are talking to the Government about whether we will retain the level of funding that was put into those streams previously and whether they will be

uprated by inflation. There is a negotiation about that. There is also a negotiation on how we might distribute that money to the 32 councils. That work is continuing. By the time we fix the budgets, we will know precisely what money is available and how much will go to each council.

Jeremy Purvis: If I may, convener, I will return to the point about ring fencing, because it is important. However, I ask my question again. On 14 November, I asked the Cabinet Secretary for Finance and Sustainable Growth, with regard to the budget document, why the proportion of funding for education and lifelong learning will fall in the current session of Parliament. His response was:

"The member's point about the education and lifelong learning budget is explained by the fact that in a host of areas there will be transfers of resources out of particular budgets into the local authority block. That reflects differences and changes in the budget."—[*Official Report*, 14 November 2007; c 3346.]

You are saying that you do not know what that figure is.

Robert Nicol: We are saying that it was part of an overall negotiation to establish the local government settlement. It will be for local government to prioritise how it spends the money locally.

Jon Harris: If we are talking about previously ring-fenced funding, we will be able to answer that precisely.

Jeremy Purvis: Okay. In that case, I will ask a precise question about ring fencing. What is the value of all the areas that have been wrapped up in the local government settlement that were previously ring fenced?

10:45

Jon Harris: We are negotiating that. We are taking as a baseline the resources that were there in the previous financial year, and we are assuming that there will be some uplift.

Jeremy Purvis: Did you say that you "are assuming"?

Jon Harris: We have argued that if the resources are shifted, the opportunity should not be taken unilaterally to cut the amount of money available.

Jeremy Purvis: Is it part of the new relationship between local government and the Scottish Government to assume, without asking, that figures will be uplifted in the budget?

Jon Harris: We have made that assumption because the money is being transferred into our base budget, which will be uplifted by inflation. We have not yet seen the final figures.

Jeremy Purvis: Did you ask?

Jon Harris: We have asked.

Jeremy Purvis: Before the signing of the concordat?

Jon Harris: The idea of moving the money into our base budget is that it will be uplifted along with all the other resources.

Jeremy Purvis: Before signing the concordat, did you ask? If you asked, what was the response?

Jon Harris: Our negotiating position was that we wanted as much money as possible to be un-ring fenced and transferred to the local government budget, on the basis that it would be included in the base budget and uplifted along with other money that we have received in the past that has not been ring fenced.

Jeremy Purvis: What response did you get? Was that agreed?

Jon Harris: Yes. It was agreed.

Jeremy Purvis: So, in respect of funds that have been ring fenced in this financial year but rolled into the baseline for next year, there will be at least an uplift of all the local government programmes that carry on for each of the three years in the spending review. Is that correct?

Jon Harris: We are negotiating the actual figures, in particular the figures for commitments that have been made but which we will still have to agree to over the next financial year. In some cases, such as the strategic waste fund, commitments have already been made. There are also commitments on flood prevention. We are in negotiation on what the commitments are and how much money will be distributed among the councils that have made those commitments. That is all becoming clear in discussions that are taking place. Those figures must be understood and agreed, so that councils know what their total budget is and can fix their own budgets.

Jeremy Purvis: When we review your comments in the *Official Report* we will have to consider carefully what you have said. You moved from saying that you assumed that that was the Government's position to saying clearly that the answer to my question was yes. However, you say that you are negotiating over the exact figures.

If I may, convener, I want to ask a specific question.

The Convener: Can you make this your last question? Another member still wants to get in.

Jeremy Purvis: I appreciate that, convener.

Councillor Hutton, you mentioned the £40 million capital funding that was given to local authorities.

You included that as part of the commitment to reducing class sizes. As Ms Mulligan said, the money had to be committed in this financial year. How many local authorities have committed that funding to reduce class sizes? As you know, the guidance that came with the money did not specify that it must go towards reducing class sizes.

Robert Nicol: You are right that there is no obligation to spend the money on reducing class sizes. Councils will spend the money as they see fit to deliver the capital improvements that they want to deliver. That may allow greater freedom in the future, so councils can spend now to lever improvements in future years. That comes down to the detail of how local authorities spend their capital.

Jeremy Purvis: Councillor Hutton said that the money was to contribute towards a reduction in class sizes.

Robert Nicol: It is one of the contributions.

Jeremy Purvis: How many local authorities have committed it to contributing to reductions in class sizes?

Jon Harris: Again, councils have to make the commitments themselves. They know what resources they have and they need to make the commitments.

Jeremy Purvis: Are you monitoring the situation?

Jon Harris: We will monitor it, because we have agreed that we will monitor all the commitments. Discussions are taking place in every council about how they manage their budgets. They will all have to consider those issues.

The process has not yet been completed. Until we know factually what all the ring-fenced funds that will come to local government mean in practice—I have mentioned some of the issues relating to existing commitments—authorities will not know what their total resource base is. That must be understood by the middle of this month, so that they can fix their budgets for the coming financial year. Until councils have made those decisions, which they need to do individually, we will not know how much money they have used for infrastructure projects.

Jeremy Purvis: As you know, the money was given in July.

Robert Nicol: The £40 million that has been spent was for this financial year. The money for the next financial year will be part of the overall settlement that we have agreed. We are talking about different things.

Jeremy Purvis: No. I asked how much of the money that was provided in July has been committed to reducing class sizes. You said that you do not know that figure.

Robert Nicol: It is a matter for individual local authorities.

The Convener: We will come back to the issue when we take evidence on it. Councillor Hutton wanted to make a final point before we move on.

Councillor Hutton: I used West Lothian Council as an example of what happens when local authorities have choice and flexibility in how they use money. The £2 million to which I referred was not ring fenced, and because of the pressures that exist in West Lothian, the council decided to use it to support the year-on-year reduction in class sizes. Councils in other areas can choose how best to use funding; they may decide to spend it on the estate, for example. I apologise if I misled the committee.

The Convener: I am sure that we will return to the issue.

Christina McKelvie (Central Scotland) (SNP): That leads on nicely to the question that I have in mind. Local flexibility and trust are important. Ring-fenced funding leads to significant juggling in some budgets and overspends that could be compensated for by underspends elsewhere. It can also make cuts in service necessary. What is the positive effect of removing ring fencing?

Councillor Hutton: Jon Harris will comment on the strategic position, but the removal of ring fencing has practical effects. At a conference the other week, I spoke about early years provision. One teacher told me that her school had an abundance of books but, because the budget for books was ring fenced, she could not channel it elsewhere. The removal of ring fencing could have a practical benefit in that area.

Jon Harris: A lot of resources went into the bureaucracy of managing and reporting on ring-fenced funding. One advantage of using the current arrangements for monitoring and developing single outcome agreements is that the framework will become much more positive and supportive. There were situations in which ring-fenced money became a ceiling for spending. The money also had to be spent within the financial year, which led to inefficiencies. We foresee that there will be a significant overall improvement in efficiency and in getting resources to where we need them.

The removal of ring-fenced funding is also part of the move to a much more outcome-based focus. We will be held to account on what we deliver, rather than on how much money we spend on an issue, which is positive. That will drive improvement, because we will be measuring what we are trying to improve. The removal of ring-fenced funding, the reduction in the bureaucracy that is associated with it and the flexibilities that we will get from not having our efficiency gains

top-sliced will help us to achieve things that we could not have achieved previously.

Christina McKelvie: Will the removal of ring fencing prevent some of the unnecessary cuts that have been made at local level in the past few years? From my background in local government, I know that cuts were made in front-line services when there were serious underspends in other budgets that could have prevented those cuts.

Jon Harris: The removal of ring fencing will help to maintain and even increase support for front-line services. One of the key drivers for sharing back-room services is to make them more efficient, so that we can move resources to the front line.

Overall, politically, our focus will be on delivering better front-line services. We do not want to use money inefficiently in terms of bureaucracy and reporting to Government in ways that are inefficient. We will continue to drive efficiencies in how we do business, either within councils or by joining up services across councils.

Christina McKelvie: That is great to hear.

Mary Mulligan: How much of the budget was previously ring fenced?

Jon Harris: I think that it was more than £2 billion. I cannot remember precisely, but I can get back to you.

Mary Mulligan: As a percentage?

Jon Harris: Councillor Hutton has passed me a note, so I can answer your question. Some £2.7 billion was ring fenced out of a total budget of £11.2 billion.

Mary Mulligan: Of the activities for which funding was ring fenced, which ones do you think councils will not do in the future?

Jon Harris: That will be for councils to decide. However, they will not spend so much money on the bureaucracy of reporting on separate ring-fenced funding streams. They will have choices on how flexibly they use the money, year on year, to fund what they see as their priorities, instead of priorities being passed down to them from central Government.

Mary Mulligan: Mr Harris seems to suggest that, in the past, local authorities have been bureaucratic and inefficient. I wonder how his constituent members will feel about that.

One of your priorities is kinship care. At the moment, local authorities choose to pay or not pay allowances for kinship care. Further, the amounts that are paid, if they are paid at all, can differ. Do you think that it is right that we have such variation across Scotland?

Jon Harris: That is one of the issues in the concordat, as we extend the funding to people who are kinship carers.

Mary Mulligan: Is that not one of the areas in which ring fencing would be helpful to those who look after some of our most vulnerable children?

Jon Harris: We have made that commitment; it is part of this funding deal that we will do that.

Mary Mulligan: How is that different from ring fencing?

Jon Harris: It is a commitment because we want to make it a commitment; that is distinct from the ring fencing of funds. Previously, there was no ring-fenced funding for kinship care payments.

Mary Mulligan: No; it was not ring fenced and people chose to make different allowances. Is that appropriate?

Jon Harris: We have negotiated that we will make that commitment.

Mary Mulligan: I think that you have to accept that there are times when ring fencing is helpful.

Jon Harris: My point was that ring fencing made some councils make perverse decisions that resulted in inefficiencies. Councils were not being deliberately inefficient; the way in which they got the money made them inefficient. We are saying that councils will make the commitment that we are discussing in relation to kinship care and that you will hold them to account on whether they deliver on that.

Mary Mulligan: We will.

The Convener: Are you saying that COSLA is happy to commit to ensuring that the money for kinship care is there, but that you welcome the dering fencing of the fund for raising attainment for children who are looked after or accommodated and that you think that it was unacceptable that, for the first time, as a result of that ring fencing, children who are looked after or accommodated were guaranteed a specific funding stream to provide educational materials?

Robert Nicol: What we have agreed, within the concordat, on kinship care is that local authorities—

The Convener: I did not ask about kinship care. You said that COSLA was agreeing to fulfil the commitment on kinship care and that every local authority would guarantee provision of support for kinship care. However, ring fencing has been removed from the fund for raising educational attainment for looked-after and accommodated children. That is what I asked about. How will your organisation guarantee that local authorities will fund that provision? In the past few years, for the first time, that fund has guaranteed that

establishments such as St Philip's school in my constituency have had money for books and materials so that some of the most vulnerable children in Scotland can have access to the same amount of books and materials that other children in Scotland take for granted.

11:00

Robert Nicol: In signing up to the agreement, the local authority will fund priorities as it sees fit. As you say, money from that fund is now part of the general settlement. However, local authorities are well aware of the priorities of looked-after children and of their role as a corporate parent. All local authorities view the issue as a high priority.

The Convener: Until that fund was introduced, those services were not funded. Why, for example, would North Lanarkshire Council see the raising of attainment for children at St Philip's school as a priority when the school does not accommodate or look after many children from North Lanarkshire? Why would any local authority view such a situation as a priority?

Robert Nicol: Local government collectively acknowledges that its role as a corporate parent is extremely important. We are engaged in work with the Scottish Government on corporate parenting and on taking forward the strategy on looked-after children. Local authorities acknowledge the role that they play and recognise the need to work collectively on this extremely important priority.

The Convener: That concludes our lines of questioning. We appreciate your attendance.

I suspend the meeting to allow a changeover of witness panels.

11:02

Meeting suspended.

11:05

On resuming—

The Convener: I welcome our second panel of witnesses for our consideration of the Scottish Government's budget. I am pleased that we have been joined by Fiona Hyslop, the Cabinet Secretary for Education and Lifelong Learning; Colin MacLean, the director of the Government's children, young people and social care directorate; Liz Hunter, the director of the schools directorate; and Mark Batho, the director of the lifelong learning directorate. I thank them for joining us. As our previous panel session overran a little, the cabinet secretary and her colleagues had to hang about outside before coming into the meeting—I thank them for their indulgence. We will move straight to questions, if that is okay.

The Cabinet Secretary for Education and Lifelong Learning (Fiona Hyslop): Yes.

The Convener: The entire budget has been realigned to promote sustainable economic growth. How has that been done and what difference will it make, particularly to your portfolio?

Fiona Hyslop: The spending review document is set out clearly to reflect the overarching purpose, which is sustainable economic growth, and the Government's five objectives: to achieve a smarter Scotland, a greener Scotland, a healthier Scotland, a safer and stronger Scotland and a wealthier and fairer Scotland. Obviously, much that affects education, children and lifelong learning impacts on all those objectives. For example, the objective of achieving safer and stronger communities is not just a justice issue; it is about sustainability and strong communities, which involves matters such as support for youth work. On health and well-being, we know that we must tackle the ticking time bomb of obesity in Scotland and the impacts on children. Some of the measures that we are pursuing to encourage healthy diets will reflect that.

The budget document is laid out to reflect not only the overarching purpose, but the five key objectives, such as those for a smarter and a healthier and fairer Scotland. The document then gives a perspective on each cabinet secretary's portfolio responsibilities. We are keen to keep an alignment in the Government, in everything from the purpose and overarching objectives to the national outcomes and indicators. We want to ensure that, in everything that we do, all parts of local and national government and all public service provision and agencies are focused clearly on achieving our overall objectives and outcomes and on the overarching purpose.

The Convener: Will you say a little more about the changes that the new Administration has made to the budget that will guarantee the promotion of economic sustainability? What have you specifically done that is different to guarantee that?

Fiona Hyslop: We have introduced a number of policy measures, which are reflected in the spending review, to try to ensure that the public sector is aligned to achieve greater and sustainable economic growth. I suppose that you are asking how we can do that within our individual portfolios. Obviously, the education budget is one aspect of improving a nation's economic well-being and developing skills and knowledge. In schools, it is essential that we support the development of the curriculum for excellence, which is reflected in the budget lines. The committee has taken evidence on the new skills body, which is a new development that will

support the economic strategy. Productivity is a key aspect and will be one of the seven key measurables in achieving the economic strategy. That is reflected in our skills agenda and the budget lines for it.

Support for families is an important part of population sustainability, including providing for families in children's early years. Achieving greater participation in economic life means addressing employability issues and helping youngsters who are not in education, employment or training. Budget lines on that align with the Government's economic strategy, which was published before the spending review document so that we could put the whole picture to Parliament.

Some budget lines clearly follow from and reflect the economic strategy. Many of those are in my portfolio, such as those on university funding, which we have discussed in the committee and in the chamber. Sustaining high levels of investment in universities helps to support economic activity, as does investing in skills, in the knowledge economy and in preparing the skills base of basic adult literacy and numeracy through trade union learning, in which the convener is interested. For the first time ever, the baseline of funding for trade union learning will have stability, which will help to address the serious adult illiteracy and innumeracy that hold back the country. I hope that I have given an overarching view and identified specifics in the budget that are clearly aligned to helping to deliver economic sustainability.

The Convener: That was helpful—you have highlighted several budget lines that allow us to identify how the money is being spent.

The committee wrote a letter to you about level 3 budget headings, which you kindly responded to by indicating where we could find some of the information that we requested. However, about 170 budget lines that were previously included are no longer shown. How does the removal of those budget lines improve transparency and allow us to follow through the important principles that drive the new Government's policy and which you are committed to delivering in your policy objectives? Because those budget headings have been rolled up, it is much more difficult to track the money and to see how it is being spent and what it is delivering.

Fiona Hyslop: As I said in my letter to the committee, information is provided at level 3. We have a new Administration with new proposals and priorities, which our budget lines must reflect. I know that comparing a previous Administration's priorities and funding arrangements with those of a new Administration can be difficult, but we have tried to provide as much information as we can to enable that process.

Some detailed lines have not yet been announced but, as far as individual directorships in the portfolio are concerned, when the budget is rolled out, more detail will start to become available about the lower-level lines in which the committee is interested. However, we are not at that stage yet.

The Convener: Do you agree that when budget headings were altered in the past, that was often done in consultation with the Finance Committee? If such changes are to be made in the future, consulting the Parliament and particularly that committee would help us all to scrutinise the budget properly. We all have an obligation to scrutinise the job that the Government does. Irrespective of the position of the parties, every committee member has a responsibility to scrutinise the work of your portfolio and of other portfolios.

Fiona Hyslop: That is the committee's view and I am sure that the Finance Committee will discuss the issue, which might be reflected in feedback to ministers in reports from committees, if that is thought desirable.

This is the first budget of a new Administration. We have presented it in a way that provides clarity and transparency about how the budget lines fit in with our national objectives, but we realise that that can cause some committees some confusion over individual budget lines and headings. It is appropriate for the Finance Committee and the Cabinet Secretary for Finance and Sustainable Growth to discuss what will happen in the future. The Education, Lifelong Learning and Culture Committee can give its views on that question.

Aileen Campbell: We have had much debate with witnesses about the level of budget increases for the universities sector. We heard that universities would not remain stagnant, would be prepared to make changes and would not spend beyond their means. However, we also heard of impracticalities surrounding collaborative efforts to share back-office services. What changes do you envisage some universities being able to make?

11:15

Fiona Hyslop: I understand from the witnesses that there are different options to be considered. The universities have been very effective at working on research collaboratively. I attended the recent meeting of the League of European Research Universities, and its members were extremely impressed not only by the scale of collaboration, but by the pace at which it had developed between our universities. That is positive, but there is certainly room for improvement—the institutions themselves acknowledge that. That is one reason why I had

always intended to provide—and now can deliver—a joint future thinking task force with the universities. We have agreed that with Universities Scotland, and we are in the process of finalising the remit, part of which involves considering the sort of efficiencies that can be delivered.

Collaboration does not necessarily mean the complete rationalisation of institutions. I know that many wish to pursue an agenda that would involve our considering the number of universities in Scotland. It is perhaps more productive to consider the functions of universities, and for those institutions to come back with the form that that might take, but the development of shared back-room activities—I know many of the institutions already share such activities—would be extremely positive. Addressing those issues is part of the challenge that the Government will give the universities as part of the joint future thinking task force.

I do not want to pre-empt the findings of that task force, which will conclude in the spring. We will take on that activity together with university principals very rapidly, because we think that some of the thinking could be quite radical. Some of the collaboration, co-operation and efficiencies that can be derived will benefit the institutions and give them a place that they can develop—not just for the next two to three years as part of the spending review, but into the next decade.

We have set ourselves a target that the thinking has to be around the question, “What type of institutional framework do we need for 2028?” Together, the decision makers in the universities, which are independent, and the Government can offer something that will be very positive in relation to how Government money and funding are used in that sector. The amount of money involved is considerable, and it is important that taxpayers know that we are getting best use of it. It is also important that we support universities to achieve their best, not just in the next few years, but in decades to come.

Aileen Campbell: Was that long-term approach a welcome change for the universities?

Fiona Hyslop: I have been very pleased by the response—I have discussed the issue with individual principals over the past few months as an area that I wanted to develop as cabinet secretary. I am taken by their enthusiasm. I met the principals of the University of the West of Scotland and the University of Stirling in the past week, and they also think that this is a great opportunity for universities to move forward.

Jeremy Purvis: The committee has heard evidence from the college sector on the real-terms cut next year, and the virtually static budget that colleges will receive over the whole period. We

heard that they may well have to consider replacing courses that are more expensive to deliver, in construction and engineering for example, with cheaper courses. What is your view on that? It is a curious situation in light of the publication of the skills strategy.

Fiona Hyslop: The colleges are receiving a real-terms increase over the piece. Although it is a tight settlement, you will know from the statements that were made by the Association of Scotland's Colleges and Sue Pinder, the chair of the principals forum, that the colleges welcome the settlement. They recognise that the spending settlement has been tight, but they welcome the opportunities that it gives them to help deliver on the wider economic strategy. Decisions about how to deploy the resource are for the Scottish Further and Higher Education Funding Council and for colleges as individual institutions.

Jeremy Purvis: So you do not expect—or support—any change in the provision of certain types of courses.

Fiona Hyslop: Local colleges provide courses that respond to local needs. Therefore, I expect some changes in provision to be made to reflect local needs and the demands of employers in the local area. I also expect the delivery of courses to reflect funding council guidance. I am developing my own guidance to the funding council on what I expect to see.

If you are saying that colleges should be cutting their cloth accordingly, I agree, but they should do so in alignment with what we want to achieve with the national outcomes and indicators that we have set. It is clear from the budget lines that we have set that support for school-college links, for example—which are vital in developing Scotland's skills base—comes within the lifelong learning allocation. School-college links are also in evidence in the concordat, in one of the 11 commitments on which we expect local government to deliver. Therefore, there are two lines for school-college links, which aim to achieve vocational support and development. You have raised concerns about courses at local colleges reflecting what colleges can afford. The dialogue must be about what the country needs, which is what I expect colleges to deliver on.

Jeremy Purvis: Why do you think Universities Scotland has said that the budget priorities are inconsistent with the Government's economic strategy?

Fiona Hyslop: We have been here before. Universities' funding requests were far in excess of what the Government achieved from Westminster under the comprehensive spending review settlement. David Caldwell stated in his evidence to the committee that we are maintaining

budget levels as a share of national Government funding; I have said that we are marginally increasing that share. There will be a marginally higher share of national Government spend for universities from this Government compared with the share from the previous Government. If you are asking whether I would like, as part of the step change in investment that we desire to achieve our economic priorities, more investment in universities and skills and more investment to tackle health issues, the answer is yes, I would. Some of our health issues contribute to one of the biggest problems that are holding this country back economically. Until we get a settlement that is more than 1.4 per cent over the piece, we will have big challenges to face and hard choices to make. We also have fair choices to make.

We started by discussing sustainable economic growth. Imagine the extra resources that we would have if we raised this country's economic growth rate. We could then have the investment levels—the 18 per cent uplift—that universities want so that they could align themselves with an economic strategy that would make a momentous difference to our economic profile. I would like to be in that frame, but, unfortunately, we are not and we must deal with the cloth that we have been cut. A 1.4 per cent settlement over the piece means that we must deliver on that.

Jeremy Purvis: Are you saying that the Scottish Government's budget is based on a 1.4 per cent real-terms increase over the spending review period?

Fiona Hyslop: Yes.

Jeremy Purvis: You mentioned the proportion of Scottish Government expenditure on higher education. Will you give us more information on how you derived that proportion for the spending review period compared with the proportion in the previous spending review period? The First Minister has published a letter that he wrote to Nicol Stephen in which he said that expenditure on higher education represents 3.14 per cent of total Scottish Government expenditure in the spending review period that we are discussing; in the previous spending review period, from 2004, the figure was 3.13 per cent. Was that 3.13 per cent of total Scottish Government expenditure?

Fiona Hyslop: The figure can be derived from different bases. I should say that the 1.4 per cent increase that we have received from Westminster is an average figure over the settlement period, not a real-terms increase, as I said earlier. There is a 1.4 per cent average increase in the settlement over the piece and a 0.5 per cent increase in the first year.

Jeremy Purvis: So what is the cumulative increase in the Scottish Government's budget as

part of the settlement? What is the difference at the end of 2007-08 with respect to the baseline? It is not 1.4 per cent.

Fiona Hyslop: The increase starts at 0.5 per cent; it is then 1.6 per cent and then over 2 per cent in the final year. The overall allocation for the national budget is clearly an issue that the Finance Committee can address.

You asked specifically about the share for higher education. You can do a comparison based on total managed expenditure—I think that that was raised during the exchange with the First Minister at First Minister's question time last week. David Caldwell obviously gave the universities' perspective, quoting 3.11 per cent and 3.12 per cent as his figures. By and large, he is saying that Universities Scotland's view is that the universities are getting about the same share as they received from the previous Administration.

If we take out annual managed expenditure, which is not determined as part of the Barnett consequentials, and take just the departmental expenditure limit budget, we see that the Government has invested 3.77 per cent of its available funds in higher education, compared with the 3.75 per cent invested by the previous Administration across the spending review 2004 period. You can cut it different ways—using total managed expenditure or DEL expenditure—but it is clear that we are not in a situation in which there are suddenly going to be massive cuts in universities' budgets. It is not that the share of national Government spending, compared with that of the previous Administration, will be maintained; there will be a marginal increase.

I agree with David Caldwell that debating 0.01 per cent of budgets is not particularly helpful. It is important to move forward collectively and constructively to address some of the in-year pressures that universities may face. As I said in response to Aileen Campbell, we must also consider some of the longer-term issues in not just this but subsequent spending reviews and, indeed, in subsequent decades.

Jeremy Purvis: You volunteered that information in response to my first question, so I was simply responding to information that you provided. I am still not clear where the First Minister gets the figure of 3.13 per cent, which is in the letter that he provided to the Scottish Parliament information centre. Could you or your officials come back on that?

Fiona Hyslop: It is TME—total managed expenditure.

Jeremy Purvis: Is the First Minister comparing the 3.14 per cent of total Scottish Government expenditure with the 3.13 per cent on the same basis? It would be helpful and constructive if you

or your officials could come back to the committee on that before we conclude our report.

Fiona Hyslop: I can come back now. Between 2004-05 and 2007-08, the baseline for higher education institutions represented 3.13 per cent of Scottish Government total managed expenditure, which obviously includes annual managed expenditure. Between 2008-09 and 2010-11, it will represent 3.14 per cent, which is an increase. The other figures that I gave you showed what would happen if we excluded AME and looked just at departmental lines. There is an increase—it is marginal, but it is an increase. That is the context that we are working in. We can continue the debate, but if the question is whether we are giving the universities a fair settlement, the answer is yes.

Richard Baker: I am happy to discuss the adequacy of the overall budget settlement to the Scottish Government, but I want to drill down into issues of university funding.

Last week in the chamber, I asked you about a funding gap that has opened up between universities here and in England. You said that that there was no gap, but David Caldwell gave clear evidence to the committee last week that it is now estimated that there will be a funding gap of about five percentage points between English and Scottish universities. That will clearly have an impact, but what do you think that impact will be?

Fiona Hyslop: First, I do not think that there is a funding gap. The allocations that we have made to universities will maintain a competitive position until 2010-11. We do not know what the university settlement in England will be—that has yet to be released to us. However, £1,000 of the top-up fees that already exist in England is required to be put into bursaries and grants, which means that the added income from top-up fees down south is perhaps not as great as people might imagine.

I have acknowledged that there might be an issue in relation to what might happen after 2010, but I do not think that universities in Scotland are at a competitive disadvantage. We already had an advantage, and we have sustained the high levels of investment that, it is fair to say, the last Administration put into universities. There is no competitive disadvantage at this stage.

Richard Baker: But Universities Scotland clearly believes that there is a disadvantage. I will go through why it thinks that. It thinks that the knock-on effect of the final third of the extra tuition fee income will be worth about 3 per cent to universities in England in real terms. It anticipates a 2 per cent increase in the spending review down south and, on top of that, it says that that there will be another 2 or 3 per cent extra income from top-up fees. So if there is a 2.9 per cent increase in

Scotland, that will give a gap of about 5 percentage points. Universities Scotland's argument that there is a funding gap is persuasive.

11:30

Fiona Hyslop: Again, I have to say that we do not know what allocations have been delivered in the English settlement.

Richard Baker: There is still at least a 3 per cent gap, even if we do not take into account the spending review in England.

Fiona Hyslop: The suggestion that we are not competitive is wrong. Universities Scotland's press release at the time of the spending review announcement stated that Scotland is in a competitive position.

Richard Baker: Currently.

Fiona Hyslop: Yes, and that is a result—

Richard Baker: We are talking about the future in the spending review.

Fiona Hyslop: That is a result of the spending review.

You are trying to anticipate where England might be as a result of the final settlement that universities might secure there. As of now, we do not know what that settlement is, so it would be wrong for us to speculate. Neither I nor the universities anticipate that Scotland will be uncompetitive before 2010.

There might be an issue if tuition fees increase down south, and I caution the committee that I have had every indication from United Kingdom ministers that they are to have a genuine review to see whether the cap should come off top-up fees and, if so, how much top-up fees would be. The Westminster Treasury is under pressure, as are we under our settlement, and increasing top-up fees down south would mean that the Treasury would have to bear the burden of covering the initial allocation to universities, because income from top-up fees does not come in from the students until the back end—it is a back-end payment system.

We are forecasting the future. I want us to be in a competitive position after 2010, which is partly why we are embarking on the joint future thinking task force with the universities. I do not agree that Scottish universities will be uncompetitive between now and 2010. That is a very serious point indeed, and you might want to pursue it with the universities. Universities Scotland's press release at the time of the spending review made it clear that the universities are competitive and that they want to remain so. The gap that you are talking about comes from speculation about information that none of us has.

Richard Baker: The universities are not speculating that there might be a 3 per cent gap; that information is based on income from top-up fees. We will know later this week about the spending review in England, but the universities are already quite clear that there is a spending gap. I cannot reconcile the two positions.

Fiona Hyslop: You can. Even if you take the universities' line that there is a spending gap, Scotland already has a competitive advantage and, in order to remain competitive, we have to keep that advantage. That is where there is a difference in our understanding of where we are.

Richard Baker: It is clear that the universities do not feel that the funding settlement in the spending review will maintain that advantage. The University of St Andrews submission said that the funds that have been provided

"have not been deployed correctly in order to maintain the excellent standards at, and stave off attempts to poach the best staff from ... universities like St Andrews."

How on earth can that be reconciled with the strategy and purpose of encouraging knowledge transfer and research and development?

Fiona Hyslop: The quotation included the word "deployed". To go back to the alignment that we are trying to achieve as part of our settlement, in my letter of guidance to the Scottish funding council, I made it quite clear that it has to make sure that its investments are aligned with the Government's economic strategy. The deployment of funds will be part of the funding council's responsibilities, but the University of St Andrews will also have its own decisions to make. The funding council and the individual institution are responsible for the deployment of funds, but I have a role in that and part of my letter of guidance gives our clear view that everything that we fund has to be aligned to our purpose of sustainable economic growth.

Richard Baker: How will the funding settlement provision for the young students bursary encourage access? Do you plan to increase the bursary next year?

Fiona Hyslop: I told the committee last week that we are going to embark on a consultation on our student support package, of which the young students bursary is part. There is some reduction in the Student Awards Agency for Scotland line. One of the concerns that SAAS has raised is that household income has been increasing faster than inflation and, given the eligibility criteria, that has meant that the number of people who are eligible for the young students bursary has been decreasing. We have to address both how much should be provided for in the bursary and the eligibility criteria. I am open-minded about what we should do in that regard. Your representations and

questions suggest that you want the bursary to be increased. I certainly hear that message. We might be able to pursue that. In year 3, there is a line for increased student funding support. We will consider carefully whether there can be any movement in the young students bursary as part of that.

Richard Baker: I am pleased to hear that. Will there be an increase in the bursary for the next academic year?

Fiona Hyslop: In 2007-08 or 2008-09?

Richard Baker: In 2008-09.

Fiona Hyslop: That line will continue as it is just now.

Richard Baker: So there will be no increase.

Fiona Hyslop: There will be an inflationary increase.

Aileen Campbell: I want to pursue the issue of university competitiveness. We heard from the funding council that it does not want to give a misleading impression to people outside Scotland's borders that universities are in some desperate crisis. Have you found in your meetings with universities that they are genuinely frightened of that?

Fiona Hyslop: There is concern about the message that is being sent out by politicians, newspapers and interested parties about the position in Scotland. The university principals have told me that they do not want there to be siren calls of doom and disaster for the university sector. They have real concerns about the situation that is being portrayed. It is about people's impression of the sector. We are remaining competitive. We have fantastic research activity. The collaboration that I talked about was the envy of the 20 research-intensive universities that I met in Edinburgh only recently. Although the universities are disappointed that they did not get what they asked for, they asked for a great deal, which could never have been provided in the tight settlement that we have. However, they ask us all to play a responsible role in promoting the sector. That is why we have to take a mature and considered approach. I agree with David Caldwell, who gave evidence to the committee, that debating increases of 0.01 per cent is not the most productive way of promoting the sector. The most productive way of doing that is to consider some of the exciting work that universities are doing and where we can go in future.

Aileen Campbell: If amendments to the budgets are made, what services would have to be cut to make increases in the universities' budgets?

Fiona Hyslop: I do not know that that is a question for me; it is perhaps a question for other

politicians. Movement between budget lines in this area can be considered, and we have looked long and hard at that. Deciding the budget was an intense exercise. The delay in the Westminster settlement, which I recognise also puts pressure on committees, means that we have a much shorter period in which to consider the budget.

If more money were to be put into universities, it would have to be taken away from somewhere else. I would not want to take money away from vulnerable children. We are making great progress in that regard. Yesterday we made our first joint announcement with COSLA on recognising the role of kinship carers. Obviously, there are other budget lines, on which the Finance Committee and others can take a view.

The settlement is tightly drawn and there is little room for manoeuvre. We have tried to be extremely fair. I said that I would not jeopardise university funding for the benefit of student support, and I have tried to take a fair and balanced view of that. We are delivering and, with the committee's approval, we can move forward in tackling the problem of the graduate endowment fee, which is causing so many families difficulties.

We are trying to strike a balance across the piece. We have produced a balanced budget that allows us to make progress on a considerable number of our manifesto commitments but also to provide investment in key areas to support the wider economy and society generally.

The Convener: I ask Mary Mulligan, after asking her supplementary question, to move on to the next line of questioning.

Mary Mulligan: Absolutely, convener. Good morning, cabinet secretary. I understand my colleague Richard Baker's concerns about some of the comments that Universities Scotland has made. However, David Caldwell was at pains to say that, following a meeting with you, he had been reassured that there would be some additional money for the sector through end-year flexibility.

End-year flexibility for 2007-08 will be announced in June. I have two questions about that. First, will any EYF in the education and lifelong learning budget be retained in that department? Secondly, do you expect to be in a position to ease Mr Caldwell's pain?

Fiona Hyslop: As a former minister, you might be in a better position to know what happens at year end than I am, as this is my first year in Government. My anticipation is that there might be some flexibility within my portfolio area. However, we have to consider what might be available across Government. That is one subject of the discussions that I will need to have with the Cabinet Secretary for Finance and Sustainable

Growth. The statements that I made when I met Universities Scotland to discuss those issues were made after full discussion with other cabinet secretaries, in particular the Cabinet Secretary for Finance and Sustainable Growth.

Mary Mulligan: So, at the moment—

Fiona Hyslop: It could be either.

Mary Mulligan: You are saying that, at the moment, you are not able to say whether or not the money will be retained or reassigned.

Fiona Hyslop: It could be retained, or it could be reassigned. We have discussed with Universities Scotland our commitment to explore what flexibility there might be. It is fair that we see what we can do to support universities, particularly in year 1 of this period, given the pressures that universities had not previously indicated to us regarding the pay settlement. That is the intention. That support would preferably come from any end-year flexibility in my portfolio. Of course, we work collegiately as a Cabinet. As well as my discussions with Universities Scotland, I have also discussed those issues with the Cabinet Secretary for Finance and Sustainable Growth.

Mary Mulligan: Did you just suggest that you did not know what the pay settlement was for universities?

Fiona Hyslop: No; there was no indication that the pay settlement would cause the universities particular difficulties. I suspect that, because the level of the request from the universities was so high, they thought that the pay settlement would not be an issue. They asked for £526 million extra and, had that been secured, there would have been no pressure in year 1. However, there has been a 0.5 per cent increase from Westminster for Government as a whole in year 1, which makes that a very tight year. I recognise that it is particularly tight for universities, and we are trying to be responsive, constructive and creative. Budget lines have obviously been finalised for this year, 2007-08, and we are now seeing what might be there at the end. As you say, we might want to consider end-year flexibility in subsequent years, too.

The Convener: Mr Purvis, is your supplementary question on this specific point?

Jeremy Purvis: It is.

The Convener: It must also be succinct.

Jeremy Purvis: First, the Universities Scotland submission was broken down year by year, with an element for staffing, was it not? Secondly, the Cabinet Secretary for Finance and Sustainable Growth has announced to Parliament that he has overbudgeted this year to ensure that there is no end-year flexibility, has he not?

Fiona Hyslop: The Cabinet Secretary for Finance and Sustainable Growth has indicated that he is trying to address the finances that we have. The end-year flexibility that is held at Westminster has been relieved. We have managed to retain that. That is where we have managed to fund the extra £100 million in capital from. The finance secretary is budgeting so that we can make the most efficient use of the money. The idea that—as happened under the previous Administration—any underspend went down to Westminster and was kept on account there, and that we did not get it back, was not satisfactory, as I think we all recognised. The cabinet secretary has done extremely well to retain that. Obviously, we are still looking at some of the budget lines to see what flexibility is available. On a number of lines we are keeping pace with the budget this year, so we will be looking to see whether there is any flexibility. Obviously, we will also do that next year.

As David Caldwell said, I gave the universities no guarantees about what could be delivered, but there is good faith and good will that we will try to work creatively and constructively to support them where we can. We have already given evidence of that in using end-year flexibility this year to provide £100 million in additional capital, which has been welcomed across the sector.

11:45

Jeremy Purvis: Did Universities Scotland provide an itemised submission that included staffing?

Fiona Hyslop: The pressures are perhaps more acute because of the tight settlement that faces us all, including the universities. We recognise that the impact of a pay settlement will be more acute on a smaller budget than would be the case with a larger budget. The relative pressure of having to meet the pay settlement in the coming year will be more acute because of the tighter settlement that we are all living under.

Jeremy Purvis: But you would have known that before you gave the universities a real-terms cut next year.

Fiona Hyslop: We go back to our argument about the £100 million from this year's end-year flexibility and whether you want to recognise that that will have an impact on future years—

Jeremy Purvis: That has nothing to do with pay.

Fiona Hyslop: No, but it is all to do with independent—convener, I am not sure that you want me to have a—

The Convener: No, I do not want an argument going back and forth.

Jeremy Purvis: Apologies.

The Convener: I would much rather that members asked questions and the minister responded. We may not always agree with the answer, but we will get an answer and we can judge the matter on that basis.

Minister, do you want to continue or had you finished making the point?

Fiona Hyslop: I lost my train of thought because I was being interrupted.

By and large, we are in a situation where we have been responsive to the representations that universities have made. We have taken the opportunity to try to see what we can resolve in the shorter term and we are also taking an important step forward with the establishment of the joint future-thinking task force, the remit of which is being drafted as we speak. That will give us an opportunity to achieve the efficiencies and collaborations to which Aileen Campbell alluded. That will also provide best value for the universities and for the public purse.

Mary Mulligan: I will move on to skills. The draft budget identifies an investment of £16 million in setting up the new joint body that is to be called skills development Scotland. What will that £16 million be expected to achieve?

Fiona Hyslop: We are bringing together a new skills development body. The committee has already had an evidence session with the different organisations that will be the component parts of skills development Scotland. The new body will be quite a change for Scotland as far as skills are concerned, given that we did not have a skills strategy or a dedicated skills body beforehand. We will have such a body from April. Part of the £16 million will help to relieve the organisational pressures of bringing all those different bodies together.

I point out that costs will be involved, irrespective of the permutation in which the organisations are brought together. For example, Unison argued that Careers Scotland's functions should be given to local authorities. The PA Consulting Group report—which I have mentioned to the committee previously and has now been released—suggested that that would cost £100 million. The Labour Party's proposal to bring the different agencies together would also have had a cost. The figure of £16 million was one of the cheaper costs for re-aligning Careers Scotland with learndirect Scotland and the skills and training bodies. We think that the cost will not be as much as PA Consulting advised, but any reorganisation of the sector—as has been proposed by the Conservatives, the Liberal Democrats and the Labour Party—would come at a cost. The £16 million represents the initial start-up and organisational infrastructure costs.

Over the longer term, we expect that efficiencies will be achieved that could be deployed in providing front-line services. However, we have also given a commitment that there will be no compulsory redundancies in the move. That is important, because a large number of staff will be involved in bringing the different organisations together. The committee will know that from the evidence that it has taken from learndirect Scotland, Careers Scotland and the skills and training sections of the enterprise networks. We know that the staff currently provide a good service, but we think that different connections and synergies could be made. There will be a cost involved—not every reorganisation provides savings—so we are budgeting for that. Obviously, if the reorganisation does not take up that resource, that will provide more money for front-line skills services, which we would like to achieve. That also is the amount that has been agreed with the Scottish University for Industry, Scottish Enterprise and Highlands and Islands Enterprise as a reasonable estimate of the cost.

Mary Mulligan: You mentioned that, in the medium to longer term, you might expect some savings to be made. Have you put a figure on that yet?

Fiona Hyslop: I am tasking the skills development body to identify what savings can be made. Looking at the different outlets and offices that exist, I think that we can learn. I have answered questions about the experience in the Highlands and Islands, where the operation has been effective. The geography of the Highlands and Islands has meant that different agencies have worked together very effectively to deliver for communities. That is a model that the rest of Scotland can learn from.

I expect that there will be savings, although that is not the main purpose of setting up the new skills body. Its main purpose is to create a more streamlined approach—a one-stop shop that employers, learners or anybody who is trying to improve their skills can access. The improvement that we can make on that front will mean that we will have a qualitative improvement in how we provide skills in the country. Clearly, there will be efficiency savings, but the committee might want to return to that once the body is set up and developing.

Mary Mulligan: You have answered my next question. Thank you.

Christina McKelvie: Good morning, cabinet secretary. Can I turn your mind specifically to individual learning accounts? There is an assumed significant increase in the take-up of ILAs. How has the cost of that planned increase in ILA take-up been reflected in additional funding for further

education colleges in the later years of the budget?

Fiona Hyslop: Your question is about the ILAs in relation to colleges, but I should probably alert—*[Interruption.]* Who is that? It is not me. Somebody has got their phone on.

The Convener: I would not suggest that it is you, minister. Prior to your arrival, I suggested that all members of the committee should have their phones and BlackBerrys switched off. If anybody in the public gallery has not switched their phone off or has switched it to silent mode, it needs to be switched off, because it is interfering with the sound system. I am sorry that you were interrupted, minister.

Fiona Hyslop: It is important to recognise that, on the ILA line generally, there was a forecast for this year of £8.1 million against a budget of £19.3 million. There has been considerable underspend in the ILA line in the current year, so we have included a more accurate forecast in the spending review. That also provides for any increase in the take-up of ILAs. Concern was expressed, not by the committee but in the chamber, about the budget line for ILAs reducing; however, it is reducing because it was overbudgeted for in previous spending reviews. The new budget line is a more accurate reflection of what is expected on the basis of experience.

Christina McKelvie: What other plans are there in the budget to encourage people to develop skills and enter—and stay in—a culture of lifelong learning?

Fiona Hyslop: That is part of our skills strategy. You will see budget lines that show an increase for community learning development. There are opportunities in community learning development to help develop skills—it can help with basic adult literacy and numeracy skills. Increasing budget lines for that and additional funding for community learning development are positive steps. The new baseline funding for trade union learning will also help to develop skills in that area.

There are a number of areas in which we are trying to ensure lifelong learning. We have, within the concordat, vocational education for schools and colleges, which we hope will enthuse youngsters and persuade them that they can have a successful career and opportunities by pursuing a vocation. We also have a new and sizeable budget line of £20 million for investment to support skills development. So, there is a healthy collection of budget lines to support the skills agenda.

I expect the new skills body to identify how best to align that £20 million, which must be done in discussion with colleges and councils. Some of the success of the delivery of the skills agenda will lie

in how responsive it can be to local circumstances and I would like the £20 million to be spent on that.

Elizabeth Smith: I will return to research. Richard Baker asked about the funding gap of 5 percentage points, but my question is more specifically about the research element that was discussed last week. Am I right in thinking that research funding is included in other items in the list of other lifelong learning expenditure, as well as the line for research?

Fiona Hyslop: Universities receive a considerable amount of money for research that does not necessarily come from the ELL budget; the health budget also provides funding.

Elizabeth Smith: What lines other than that named “research” contain funding for research?

Mark Batho (Scottish Government Lifelong Learning Directorate): The research line in the “Other lifelong learning” table is for research that is undertaken in the Scottish Government. Funding for the research that universities undertake is included in the overall funding council line. Another line of research resource for universities comes from the research councils—that is a UK Government resource.

Elizabeth Smith: Where can I obtain the figures to show whether that funding has increased or decreased?

Mark Batho: The overall resource that the funding council allocates to universities has research elements and teaching elements, plus other stuff, so the funding council is the source of the information that you request.

Fiona Hyslop: The funding council could probably provide information for previous years but, until we allocate this year's amounts—I am still writing the letter of guidance—it will not be able to supply information about what will happen from April next year.

Elizabeth Smith: You talked about the longer term. You are right to say that, until now, Scotland has been extremely competitive on research elements and what goes on behind the scenes to plan ahead. However, I understand from some evidence that we have heard that grave concerns are felt about what might happen beyond the spending review period. The concern is that funding for higher education research is likely to decrease in real terms, which might affect Scottish universities' competitiveness in the longer run. Is that a fair comment?

Fiona Hyslop: It is fair to raise the concern, but we are trying to address it. The £100 million for universities and colleges this year was intended particularly to help pump-prime investment in equipment and buildings—in capital expenditure. The settlement is tight overall, but capital funding

for universities will increase by 20 per cent over the piece. That is because we recognise that we must support the research elements, to maintain universities' competitive position. We have identified capital investment particularly because we want to acknowledge the importance of research.

We should not underestimate the importance of the Government's overall economic strategy. It is important to the work that we do with the health service that it supports some of the universities' research requirements. We should be able to achieve synergies on renewables through environmental departments and others. We want to align the whole public sector to support that economic strategy, of which universities will be strong beneficiaries. However, quantifying that benefit is difficult at this stage. Once the funding council has produced its plans, you will be able to see where we are placed for the future.

Elizabeth Smith: For obvious reasons, some of the medical research that is taking place—such as that at the University of Dundee, which is highly skilled in some cancer research development—is subject to a high inflation rate. Are you confident that enough money will be available through the funding settlement for such key research, to keep Scotland at the world's front line, where we are at the moment?

12:00

Fiona Hyslop: You will see from the budget document that a sum of £10 million has been allocated for the development of life sciences in Dundee. That allocation recognises the importance of that cutting-edge research.

As a country, we face a challenge in relation to the need to strike a balance between funding the high level, world-class, cutting-edge research and funding the applied knowledge areas, such as the games development work that is being done at the University of Abertay Dundee. We need to have a debate about that.

Elizabeth Smith: Can we be confident that, because of that investment, we will be able to keep the highly trained staff who have been attracted to Scotland in recent years because of that cutting-edge work?

Fiona Hyslop: Indeed. It is not only the capital investment in the buildings and equipment that attracts staff, but also the other staff that we have and with whom they can work. One of the things that can attract international, world-class researchers—I have in mind collaborations that are taking place between universities in physics, chemistry and so on—is the team that they work with. Obviously, developing that collaborative approach creates a greater pool of experience and

brings together challenging minds and researchers, which is attractive.

The quality of life in Scotland is also important. We have to ensure that Scotland is welcoming and cosmopolitan in outlook. Professor Richard Florida has done work on what makes a city competitive. In relation to Edinburgh, part of that—apart from the university—is the quality of life in the city. In that regard, we must think about how we support the families of researchers who we want to attract. That is one of the reasons why, in relation to my schools portfolio, I am interested in developing not only domestic baccalaureates in science and languages but also international baccalaureates. I do not wish to question the status of our Scottish Qualifications Authority's accreditation systems, but, if we want to attract world-class researchers who have families, we might want to provide them with something that gives them confidence that their children will receive the best possible education.

We have to think laterally about competitiveness and consider issues other than research and pay. There are various factors that we can develop.

Elizabeth Smith: Can you confirm that, in your discussions with individual university principals—rather than with Universities Scotland—no concerns have been raised about the research element?

Fiona Hyslop: Of course, people have concerns about the research element, but they relate more to the longer-term question of where we will be in 2010 and beyond.

Elizabeth Smith: So they are concerned about the long term.

Fiona Hyslop: That is part of what we are trying to address. We can address it, but as a country we will have to ensure that we align all parts of the public sector to facilitate that research. Do not underestimate what we are doing in relation to health, which was mentioned earlier. Work that is being done in relation to the Wyeth developments, for example, is as much to do with medical research as it is with enterprise. Plugging that together will be important. We could work extremely well together and, if we can present ourselves as a country in which all the public agencies are joined up—whether they relate to enterprise, health or the universities—we can become extremely attractive.

When we talk about being competitive, we should bear it in mind that there are various ways of being competitive.

Elizabeth Smith: Having different funding systems north and south of the border makes that difficult, does it not?

Fiona Hyslop: That is, perhaps, for comment.

Rob Gibson: The allocation of limited increases in university funding might lead universities to seek partnerships and co-working arrangements with other universities and educational establishments. You have already mentioned something about that. The committee heard of the success of research-pooling arrangements that universities have embarked on in order to create stronger research teams. We were wondering about the proposition that the restriction in university funding might mean that universities might seek to merge, with the result that the current structure of higher education could change radically. Is that a prospect or is it merely a spectre?

Fiona Hyslop: The universities might want to discuss that issue—which people have commented on—through the joint future thinking task force. However, the success has been achieved through voluntary collaboration. If any organisational changes were imposed from on high, they might not be successful. That is why the sector is prepared to address some of the hard questions—Scotland's institutions must take on that responsibility. I am keen that, rather than an independent review, we have direct dialogue between the Government and the universities. I will not prejudge what that might lead to in the longer term, but collaboration does not always mean the merging of institutions, as some of the present successes have shown. If the universities want to move towards mergers in the longer term, I would welcome any suggestions that they may have about that.

The issue is not one that involves just the universities. The experience of the workforce is changing—more older workers and people with families are going into education. In that context, relationships between universities and colleges will become increasingly important. I visited Aberdeen College, which has been given degree-awarding status by Robert Gordon University. We must recognise the movement of students, their age profile and the employability skills that they need, as those are big agenda items that relate to our economic strategy. There is more to collaboration and co-operation than institutional merger, which is the form that some people automatically assume that it will take. There may be mergers in the future, but that would be up to the sector to discuss. I am keen for the joint future thinking task force to be quite bold, and the university principals have given me the impression that they are prepared to be bold as well.

Rob Gibson: On a visit to the environmental research institute at Northern College in Thurso on Monday, I was struck by the high-quality cutting edge research that it is doing on the environment and energy. The age profile of people who do research has changed—they are now older and

have families. I am pleased to hear you talking about the quality of the environment. It is clear that people are attracted to go and work in Thurso because of the quality of the environment—not just the one that they are working with, but the one that they are living in.

Although the UHI Millennium Institute does not seek to merge with other institutions—it seeks to obtain full university status—it is already involved in many collaborations with other universities. As you say, it seems likely that people will keep their heads up because of the quality of the research that they do, so there will not be the same pressure for mergers with other bodies.

Fiona Hyslop: I have not visited Northern College, but I was enthusiastic about what I saw at Lews Castle College and Inverness College, where exciting research work is being done. The same is true of Crichton campus. UHI will need support from other universities in its research if it is to get full status. As I said to the university principals the first time I met them, the real challenges that Scotland faces are its demography and its geography—its population has an ageing profile and is spread out. Therefore, we cannot always expect students to go where the centralised institutions are. Although UHI has been slow to get full status—many of us have been frustrated about that—in many ways it could be ahead of other institutions in how it uses technology and achieves cross-institutional collaboration. Perhaps other institutions will be able to gain from those practices. Once UHI gets there, I am sure that it will be extremely successful.

Rob Gibson: I am glad that you say that, because I look at universities that are not 2 miles apart and wonder what kind of collaboration goes on between them; I know what happens between institutions that are more than 100 miles apart. Given what you have said, I am sure that the research team at the ERI in Thurso would be glad if you visited it.

Fiona Hyslop: You have proffered an invitation.

Richard Baker: Understandably and rightly, many of the questions have focused on universities' research budgets, but universities that are teaching intensive sometimes find it even more difficult to lever in additional funds. Given the funding settlement, particularly the £20 million gap in funding for next year to fulfil the academic pay deal, how will teaching-intensive universities be protected financially?

Fiona Hyslop: I have told university principals that we can try to address that, although I cannot give them any guarantees. The institutions have said that they have strong reserves and financial situations—as I said, their concern is about the

longer term. We want to ensure that we recognise the high quality of teaching in our institutions. I have had useful meetings with the university unions, which are pleased that the SNP Government has been able to make progress on certain issues. The universities may need support in addressing the issue that Richard Baker raises. I am not saying that we will not address it; indeed, I have said the opposite—I have told the university principals that we will see what is possible in a very tight settlement.

Richard Baker: So, in the interim, until we get to June and see what is possible, staff will need to be paid out of universities' reserves.

Fiona Hyslop: It is not for me to comment on that—that is for the institutions.

Jeremy Purvis: I have a supplementary question on capital funding for higher education. If I heard you correctly, you said that, taking out the one-off £100 million of capital funding, there is a 20 per cent increase for capital—

Fiona Hyslop: No. I said that if we include the £100 million with the funding increases for the spending review period, there is a 20 per cent capital uplift. The capital lines in the budget for the sector show an increase. The 20 per cent increase takes account of the spending review increases and the £100 million increase. Capital expenditure will rise from £692 million to £834 million—that is a strong line in the HE settlement.

Jeremy Purvis: I am not sure that that is comparing like with like. I could understand it if you said that the total capital investment at the end of the period will be higher, but there is not a 20 per cent increase in the capital grant.

Fiona Hyslop: I am sorry—I meant to say that if we take the HE and FE budgets together, we get a 20 per cent increase in capital over the period.

Jeremy Purvis: So it is not a 20 per cent real-terms increase in capital grants.

Fiona Hyslop: The budget document sets out the capital lines for HE. I will try to identify the page.

Jeremy Purvis: I think that it is page 113 in the budget document.

Fiona Hyslop: It probably will be. The capital allocation for HE for 2007-08, which is the last year of the previous spending review period, was £85 million. That will increase to £87 million, then to £94 million and then £95 million. That is exclusive of the £100 million that we are using to pump prime this year. The capital line is increasing, which is welcome.

Jeremy Purvis: That is a 10 per cent increase on the baseline.

Fiona Hyslop: Yes. If we include the £100 million for pump priming—which the HE and FE sectors have welcomed—and combine the HE and FE lines, we have a 20 per cent increase in capital funding over the piece, which is important, given some of the issues that we have been discussing about buildings and research facilities.

Jeremy Purvis: We received a letter, dated 27 November, in which Mr Batho clarified some points that arose in a previous evidence session. The evidence that we received on the one-off funding of £100 million was that it is divided so that £60 million will go to colleges and £40 million will go to universities, but that an additional £10 million will be provided for universities during the spending review period. The letter states:

"I can confirm that the Scottish Funding Council plans to transfer £10 million from the college capital budget to the HEI capital budget during the Spending Review period."

Where can I find that money in the budget documentation that the committee has?

12:15

Fiona Hyslop: I will ask Mark Batho to come back on that, as he wrote the original letter.

Mark Batho: The transfer does not appear in that budget documentation. It will take place as a matter of administrative practice. As I said in my previous evidence, the result will be that, at the end of the spending review period, the higher and further education sectors will each receive their baselines as indicated in the budget document plus £50 million.

Fiona Hyslop: We made it clear to the universities and the Association of Scotland's Colleges that that would be our approach to ensure that, over the piece, there is a fair distribution. They were aware of that when we made the announcement.

Jeremy Purvis: I can understand that, but nowhere in the circular from the Scottish funding council in which the £100 million is divided up does it state how the transfer from the colleges will take place. I understand that the circular says that it is ministers' intention that the distribution will be balanced, but I do not know where that £10 million is recorded. The circular has divided the money up, and the budget document covers the increases year on year, but where will the £10 million come from?

Fiona Hyslop: May I make a suggestion? The funding council can perhaps best address how, administratively, it will deliver that. If I commit Mark Batho and the funding council to respond to you on that matter, that might be more helpful.

Jeremy Purvis: It is an important point—£10 million is a substantial sum.

Fiona Hyslop: Indeed, as is the £100 million that we announced and that will help to provide the investment that we need in our infrastructure. The colleges have been very pleased by the announcement, as it has allowed developments in many areas. I visited Motherwell College, which was delighted with the prospect of a new development. In fact, we launched our skills strategy there, and I am pleased to have been able to open a number of colleges funded by the previous Administration. It is important for us all to continue that investment. The capital investment lines have been welcomed by the college sector, but it might be helpful if I ask the funding council and officials to respond on how the administration of that £10 million will be articulated.

The Convener: It would be helpful, although I ask that you request that they get the information to us prior to next week if possible, because we will consider our budget report at next week's meeting. I know that a swift response is additional pressure, but it would be very helpful.

Fiona Hyslop: I acknowledge that. As I have said, I think that the timing of the settlement has put a lot of pressures on officials in not just the Government, but the Parliament. MSPs have also had to deal quickly with a tight process. I recognise the constraints for everybody concerned.

The Convener: That is helpful.

You will be aware that, earlier today, representatives from COSLA gave evidence on the comprehensive spending review. They said that COSLA as an organisation has signed up on behalf of the 32 Scottish local authorities to delivering on the six national priorities of the new Government that relate to your education portfolio but that there is no timescale for delivery. They believe that the policies are affordable, but they have not costed them. How will you monitor whether those national priorities are delivered throughout the country?

Fiona Hyslop: I welcome the agreement to the concordat by most of the COSLA leadership team, as recommended by the presidential team. It introduces a new way of working with local government. It is a considerable change, including in how Parliament scrutinises it.

The concordat underpins the funding to be provided to local government from 2008-09 to 2010-11. As six of the 12 commitments in the package involve education and children's services, along with John Swinney I took part in the negotiations with COSLA and signed the deal with COSLA's leadership team.

In the concordat, we have agreement to deliver on our manifesto commitments. As agreed by COSLA, the concordat specifies that councils will deliver

"on a specified set of commitments".

Just as important are the national outcomes that councils have agreed to deliver as part of that. The 15 national outcomes listed on page 46 and the national indicators listed on page 47 are part and parcel of the budget settlement. We expect local government to deliver not only on the specified commitments but on the outcomes and indicators.

How do we ensure that they will be able to deliver on those outcomes? First, we need to provide the funding settlement—as we have done—that underpins them. That has been agreed as part of the funding settlement. Obviously, each individual local authority has yet to respond because the local government settlement for individual local authorities will not be announced until 13 December. Thereafter, we will hear from individual local authorities what position they will take on the agreement.

A couple of other points about the agreement should be mentioned. One of the changes is that the Cabinet Secretary for Finance and Sustainable Growth and I will take part in bi-monthly meetings with COSLA. We will also have an annual meeting between the Scottish Government's Cabinet and COSLA. Twice a year, there will be monitoring by national Government of local government so that we can see how individual local councils are progressing in delivering on the specified commitments—including the six that have been referred to that relate to my portfolio—and on the national outcomes, which are very important and are part and parcel of the concordat. We will have a twice-yearly opportunity with each individual local authority to assess progress against the concordat if they agree to sign up for the deal.

The fact that the deal is a package is a really important point to acknowledge. None of these things should be seen in isolation; they are part of an overall package, which includes many of the benefits that local government has acknowledged such as the relaxation of ring fencing and the opportunity—for the first time ever—for local authorities to keep their efficiency savings. We expect to have an annual report from each council on progress to date on that. Obviously, we will also seek to enter into a single outcome agreement with each and every local authority. Therefore, there will be plenty of opportunities for monitoring to happen.

The Convener: There was a lot in that detailed answer, some of which I want to follow up. As Mary Mulligan said when she pursued this point with COSLA, outcome agreements should measure the impact that a change in policy has on society and on the people the policy is responsible for, but some outcome agreements in the concordat are in fact routine inspection reports. How confident are you that the outcome measures

will measure impact rather than things that should be happening anyway?

Fiona Hyslop: There is a slight confusion between outcomes and indicators. Some of the earlier questioning seemed to be about indicators and targets rather than about outcomes. We should perhaps reflect again on page 46 of the draft budget document, which outlines the Government's overarching purpose; the targets—I have addressed some of them—relating to sustainable economic growth, productivity, participation, population, solidarity, cohesion and sustainability; the strategic objectives of wealthier and fairer, smarter, healthier, safer and stronger, and greener; and, below that, the national outcomes.

You are absolutely right that outcomes should be about impact, such as the impact on young people. Three of the national outcomes are probably of specific relevance to our consideration. First, one outcome that is clearly related to school education is:

"Our young people are successful learners, confident individuals, effective contributors and responsible citizens".

As I am sure everyone recognises, that flows from the curriculum for excellence. The outcome that we want, as you have rightly stated, is about the impact on young people.

Secondly, another of the national outcomes is:

"Our children have the best start in life and are ready to succeed".

Clearly, that is about the impact that we have on early years. As we have indicated previously, the Government sees early intervention as a key area—perhaps the area above all others—in which we want to make an impact.

In light of the programme for international student assessment that was published yesterday, for example, this country has a huge way to go in tackling the gap between the top performing, achieving and attaining pupils and pupils who are underperforming. That gap reflects the impact of poverty here. Poverty has a far bigger impact on educational attainment in this country than it does in many other countries. The fact that we as a national Government have a shared outcome agreement with local authorities to ensure that our children have the best start in life and are ready to succeed is a huge step forward.

The third national outcome is:

"We have improved the life chances for children, young people and families at risk".

There was a debate on domestic abuse only last week. Members will see from the budget line that £10 million has been made available in our national funding to help children of families at risk

from domestic abuse and to develop the national action plan. Again, there is a shared outcome with local government. Those are clearly huge areas. If we can make an impact and achieve the desired outcomes, we will provide life-chance opportunities for young people who have been failed for far too long.

Page 47 of the spending review document includes indicators that relate to how things will be policed and how we are delivering. We must assess where we are with the inspection scrutiny regime. The committee will no doubt have views about the impact of the Crerar review, reconciling best value Audit Committee reports and Her Majesty's Inspectorate of Education reports, and the approach to the new scrutiny mechanism, but indicators should not be confused with outcomes. Achieving the outcomes, which are fundamental, will have a huge impact on the life chances of young people.

The Convener: Will the Scottish Executive consider that the outcomes have been adversely affected or have not been met if any of the six policy commitments are not met?

Fiona Hyslop: It is clear that if we are looking for

"successful learners, confident individuals, effective contributors and responsible citizens",

improving achievement and attainment through smaller class sizes will be a success factor. However, for pupils to have the best start in life, nutritional aspects and improving their health and well-being are also important. Some of the indicators refer to areas that have traditionally been the responsibility of education inspectors and social care inspectors and areas that are increasingly the responsibility of those who are involved in joint child protection inspections, but the health indicators of young people will also have an impact.

I have responsibility for supporting cabinet colleagues who are pursuing health indicators. The body mass index is obviously one of the indicators that show success in improving the health agenda. Such interrelations are clearly important. The work of the health inequalities task force is also important. Cabinet secretaries with different portfolios are working together to make an impact on early years provision, and I hope that we will soon see the importance of that work.

You asked about how we will relate the national outcomes to the six specified policy commitments that local authorities will deal with. Obviously, there is a read-across between the commitments and the outcomes. As members no doubt heard from the COSLA representatives, commitments were agreed to in the negotiations. You will see a correlation between those and our manifesto

commitments. Their exact wording might not be the same, but we managed to negotiate and agree commitments for delivery with COSLA.

The Convener: You mentioned class sizes. When do you expect local authorities in Scotland to meet your class size commitment for primaries 1 to 3?

Fiona Hyslop: Local authorities will meet that commitment when they are in a position to deliver not only the teaching provision that is required but the required classroom facilities and so on. I recognise that the pace of delivery by each local authority will be different—that issue formed part of the concordat negotiations. Indeed, the concordat reflects the fact that delivery will take retiral into account. I think I said that we will not only resource teachers to reduce class sizes but deal with the demography of our teaching profession, which means that a large number of teachers will retire in the coming years.

12:30

Between 2007 and 2011, the Government will provide 20,000 new teachers in training. Bearing in mind the fact that the current cohort of teachers is 53,000, that is a considerable change. While we are dealing with the reduction in class sizes, we will be making provision for and dealing with the demographic of teachers.

Obviously, the capacity of universities to train teachers will be affected. We also have to consider accommodation pressures, as I have mentioned. As agreed in the concordat, the pace of implementation will vary across local authorities according to local circumstances and needs. I want to see significant progress towards meeting that manifesto commitment. This Government will be able to achieve what we have agreed with COSLA. We are expecting local authorities to make year-on-year progress towards delivering the class size reduction policy.

The Convener: Do you expect the class size commitment to be met during the current session of Parliament?

Fiona Hyslop: We have to deliver on the concordat that we agreed with COSLA, which has indicated that it would have difficulty delivering a reduction in the size of every P1 to P3 class to 18 pupils. On the basis of the concordat, I do not expect that to be achieved. We are therefore happy to deliver what we can achieve, which is what has been agreed in the concordat with local authorities.

We can make significant progress. Only 11 per cent of children in P1 to P3 are in classes of fewer than 18 pupils. We are impatient to make progress, but we are realistic. Parents and

teachers want smaller classes; that is even shown in the petition that has come to the committee. Will we be able to get to that full manifesto commitment? We have heard that COSLA will find it difficult to achieve. We expect that some local authorities will be able to achieve significant progress much more easily than others. The pace and scale of delivery will form part of the single outcome agreement with each authority.

The Convener: COSLA said that it thinks that it is not only unlikely that the class size commitment will be met during this parliamentary session, but that it might not be met during the next one or even the one after it. Are you satisfied with that? What is significant progress towards your target of reducing class sizes? How will you determine significance?

Fiona Hyslop: I did not hear that part of this morning's evidence session. It is clear that there will be major challenges, especially if we have to replace almost half the teaching population, because of the increase needed to deliver the class size reduction policy and the demographics of retiring teachers. There will be a major shift in the age profile of the teaching profession.

Some local authorities will be able to make much faster progress than others. Some local authorities are looking at significant falls in school rolls. They will be able to move much more quickly.

Workforce planning is very complicated. We are in the middle of receiving some figures and I cannot report fully on the workforce planning exercise for this year. The target is ambitious—we always said that it would be—but we are determined to deliver the reduction. The more impact we have on individual pupils' lives, the better their attainment will be.

Last week's progress in international reading literacy study—PIRLS—showed that literacy and numeracy in this country has fallen in comparison with levels in other countries. That makes it clear that we have to improve the opportunity to embed basic literacy in the early years. We can do that by reducing class sizes as far as possible. However, I do not underestimate the challenges to be faced delivering it. The important thing is that we are determined to proceed. The pace and scale will vary, but our determination to deliver on the policy means that there will be an impact.

It is important to see year-on-year progress. One of the things we learned from the class size reduction policy of the previous Government was that it set a date by which it would achieve class sizes of 25 pupils in P1, for example. That meant that individual children saw very little movement or change for four years and the Government had a policy that did not have a direct impact on children

for four years. The class size census report shows the current figures, but our policy is to make steady year-on-year progress.

We will see progress during the parliamentary session—not just at the end of it—and will reduce class sizes for many people. That is the difference between what this Administration will deliver during its lifetime and what the previous Administration delivered.

The Convener: Can you define progress?

Fiona Hyslop: Progress means increasing the number of pupils who are in classes of less than 18.

The Convener: Is progress reducing class sizes to less than 18 in one school or one class in Scotland, or is it doing so in half of Scotland's local authorities?

Fiona Hyslop: The concordat makes clear that local government as a whole will make year-on-year progress towards meeting the target. I volunteered to give evidence on class sizes today; there will be a statement and questions on the issue this afternoon. I am happy to continue discussing the matter; the committee can decide whether the subsequent evidence-taking session is needed.

The Convener: You will recall that you agreed to come before the committee; some members from your party even volunteered you.

Fiona Hyslop: I am more than happy to appear before the committee today.

The Convener: Your commitment to appear before the committee on 19 December still stands; the committee expects you to be here then. COSLA gave us specific evidence on this issue that is tied in with the budget. It is appropriate that the committee should question you on the matter today, in advance of any statement that you may make to the Parliament. It is the committee's job to scrutinise the budget. I remind you that we will ask the questions and you should answer them. If we work on that basis, we will have a constructive working relationship.

The line of questioning that I am following is based on the evidence that we received from COSLA this morning. I asked you how you will define significant progress. Will your manifesto commitment be met only in the local authority areas where there is a demographic shift that allows it—as a result of a decline in the school population rather than as a result of an increase in the number of teachers—as COSLA seemed to suggest in its evidence this morning?

Fiona Hyslop: I volunteered to stay late to answer questions on all my budget responsibilities at this meeting. The committee clerks indicated to

me that members did not want to address class sizes today, but I am more than happy to answer questions on that matter.

There will be year-on-year progress towards meeting the target. That is different from the approach of the previous Administration, which set a target date outwith its period of office for delivering a reduction in class sizes. We have learned a lesson from that. We expect that, during this parliamentary session, each local authority will make progress on reducing class sizes. I admit that some authorities whose overall school rolls may be falling but that are experiencing an increase in numbers in early-years education because new families are moving into the area will face greater challenges—I think of areas such as Clackmannanshire, Stirling, Falkirk and West Lothian, which I know well. However, we expect over the lifetime of the Government to see progress towards delivering the commitment in each and every local authority.

Elizabeth Smith: This morning, we were told that COSLA is looking forward to the agreement because it allows for greater local democracy. In other words, councils will be able to choose their priorities to some extent. You, too, have suggested that the concordat will lead to a better relationship between local government and central Government. You will not be surprised to hear that I am in favour of more local democracy. However, if one local authority chose not to pursue one of the priorities, could you exercise sanctions against it? How would you react?

Fiona Hyslop: If an authority decided not to pursue or not to deliver on the specified set of commitments, we would not be able to reach a single outcome agreement with it and it would not benefit from the end of ring fencing or be able to keep its efficiency savings, as it would not be signing up to the deal and package that has been agreed. Authorities cannot pick and choose. The concordat identifies six specified commitments and reflects the national outcomes that have been agreed. If local authorities do not want to accept the deal, that is a matter for them, but the deal is a package.

Elizabeth Smith: So, there is no local democracy unless a local authority agrees with what central Government is doing.

Fiona Hyslop: The fact that the COSLA leaders group agreed to put forward the concordat to each local authority shows that local authorities have flexibility. There is a great deal of enthusiasm for the choice that will be provided by the reduction of ring-fenced funds from £2.7 billion to £0.9 billion. Much of that is police funding—leaving £0.3 billion—so ring fencing will almost end. That flexibility and choice will give local authorities far more ability to deliver on local needs and identify

their priorities. What we discussed with COSLA is that underneath the national indicators that local authorities are working on, they can decide what their local priorities are. For example, an area such as North Ayrshire that has a growing elderly population may gear more of its local indicators and priorities to that, whereas an area that has a younger population may decide that it has other priorities. The agreed national priorities are part of the agreed national funding for local government. It is important to stress that it is a package.

Elizabeth Smith: I understand about removing ring fencing, for which I can see many arguments. I am slightly concerned, however, that if a local authority wants true local democracy but does not come up with certain priorities, it will be hamstrung by what national Government is telling it to do.

Fiona Hyslop: Things can be done in different ways. Either everything can be centralised or localised, or Government can work collectively with local authorities to come up with an agreed package. Many of the issues are shared issues, particularly in respect of early years provision. Only yesterday we saw evidence that that partnership can work: the strategy on fostering and kinship care that was announced, and which is being debated later in Parliament, is a joint publication. Willingness to work together exists, but a balance has to be struck—there is an issue about whether the previous ring fencing was part of a diktat from national Government. We are breaking new ground and the feedback that I have had from local authorities is that what we are doing far better reflects their abilities.

When we consider the billions of pounds of funding from national Government, we must again consider accountability. We have things that we came into office to achieve, many of which have to be delivered with local authorities, but the sea change that is happening is about seeing local authorities not just as delivery agents for national Government but as partners. The policies that come out of our early years strategy will be far more effective because they will have been developed jointly with local government, as opposed to having been nationally imposed. There is a value to the concordat that is not a cash value—that is important and it is reflected in the wording of the concordat. The good will, trust and confidence that will be the mark of its success are a test for all of us. I would rather have a can-do approach and ensure that we deliver on the concordat than try to find the barriers and the pitfalls—although we must be sensitive to them. Ensuring the success of the concordat far outweighs a mentality that says that because it does not suit us and it is different, we should not try it. It is important to try it.

Elizabeth Smith: I know that you are keen on the rural schools issue. There may be

circumstances in the more rural areas of Scotland in which, for geographical reasons, it is almost impossible to deliver on the class size policy. A local authority may then take a sensible decision, from the point of view of education, not to treat class size reduction as a priority because the best interests of children are served by slightly bigger classes. Would you accept that?

Fiona Hyslop: I want common sense and flexibility because we have to be responsive to local needs. I want all local authorities to make progress over the period of this Government. I think we can work towards that with them. If there are difficulties for any local authorities in delivering any of the priorities, we need to know early and we need to be able to discuss with them what they do. We are just as accountable as they are. We are accountable to Parliament for delivering the priorities. We said that we would, and we will work with that. We will not be belligerent with local authorities. I hope that those days are long gone. We want to work in partnership with local authorities, which means being responsive to them when they tell us, “We’ve got difficulties because of X, Y and Z.” That is part of developing the single outcome agreements with each local authority.

12:45

Christina McKelvie: I was going to concentrate on early years provision, but you have already answered most of my questions on that. On a point of information, I had the pleasure and privilege of being at Motherwell College’s groundbreaking celebrations on Friday. The delight there was tangible, among both staff and students. I spent a lot of time talking to students, and their hope and optimism was really nice to see.

I want to touch on some of the things that Liz Smith was saying about sanctions. Do you agree that gaining the trust and positive regard of local authorities is a better way to make significant progress than is the use of negative sanctions?

Fiona Hyslop: Yes—everyone would agree with that. We must, however, be aware of the need to monitor the situation, just as COSLA will want to monitor developments among local authorities. The bi-monthly meeting with the Cabinet Secretary for Finance and Sustainable Growth, me and the COSLA leadership will be critical to our delivering on the concordat and on some of the policies that develop from it. That new relationship will be very important. It will free up local government and bring a different dynamic to the national Parliament: to how we see things, to how we pursue a previously ring-fenced agenda and to how we now monitor things.

Having sat on the Education Committee, I remember scrutinising ministers over budget issues and I recall my frustration that the amount of the budget that we could effectively scrutinise in the Scottish Parliament was small. It was only 10 per cent, I think—£400 million, compared with the £4 billion that local government had. Interestingly, the discussion that we are having now is allowing us to have far better scrutiny and accountability of some of the high-level outcomes and indicators in the spending review, which covers the wider responsibilities of local government. There was always the opportunity in the Scottish Parliament previously to drill down and follow pots of money from national Government into local government to see whether they ended up where they were meant to end up. I remember from many years of frustration that, although we tried to work with ministers to achieve that, it was extremely difficult. We perhaps have a different budget scrutiny process now, compared with previously.

Mary Mulligan: Do you believe that everything in the concordat that comes under your responsibilities has been fully funded?

Fiona Hyslop: To describe the package that we have agreed with local government, I will read out the very first paragraph of the concordat:

"This concordat sets out the terms of a new relationship between the Scottish Government and local government, based on mutual respect and partnership. It underpins the funding to be provided to local government over the period 2008-09 to 2010-11."

The concordat brings an increase of £1.3 billion of funding and it allows local government to keep efficiency savings. The value of those efficiency savings, even in the 2007-08 budget, is about £213 million. In cash terms, that is a considerable uplift. The reduction of ring fencing from £2.7 billion to £0.9 billion provides flexibility. The deal has been agreed to as a package. Within the package, the deal and the funding mechanism are a specified set of commitments. The COSLA presidential team agreed with the concordat, as did the COSLA leadership—the leaders of all the councils agreed that the concordat was the best deal to put forward to the local authorities. They recognised that it could and should be delivered.

Mary Mulligan: I must say that I am not sure how COSLA was able to agree the concordat, given that it could not produce figures for us this morning. That is not your responsibility, however.

Should there be insufficient funding—given that the overall package that COSLA initially bid for was nearly £14 billion, and that councils are getting just under £12 billion, so there is clearly a gap—how do you expect local authorities to prioritise what is in the concordat?

Fiona Hyslop: You can discuss COSLA's original bid with COSLA. There was negotiation

between national Government and local government and, as in any meaningful negotiation, there was give and take on both sides. What we have delivered has reversed the trend of previous years. Local government's share of the national Government's spend was on a downward spiral but that has been reversed and the amount is increasing again. It is only a marginal increase, but we have stopped the decline and things are moving forward. From a funding point of view, the proposals in the concordat are what we can move forward on.

There will be different experiences in different parts of the country. I will give an example that is close to home. In West Lothian, the council decided not to remove nursery teachers from nurseries; therefore, the council will not have to change anything in order to satisfy its commitments in that respect. However, West Lothian has population pressures that will make it more challenging for the council to deliver on the class size reduction commitment. The fact that the council is not having to find new teachers to go into its nurseries will relieve some of the pressure in that other area. We expect that every one of the commitments will be delivered by local government—that is the point of the concordat.

On top of that, we have the national outcomes, which we expect local authorities to deliver on. Councils can reflect local priorities—as I said in answer to Elizabeth Smith, the concordat commitments are not to be delivered to the exclusion of other priorities that councils might have. However, as part of the concordat—as part of that public funding arrangement between national Government and local government in the local government settlement—councils are expected to deliver on the national outcomes over the period of government and according to the terms that are set out in the concordat.

The timing of delivery of the key priorities will vary. For example, on vocational education and skills, each local authority will already have strong school-college links; nevertheless, that is one of the specified commitments in the concordat. There will also be local flexibility, but it is not a case of councils' picking and choosing; nor are we telling them the order of priority in which they have to deliver the national outcomes. We are giving local authorities the flexibility to deploy their resources more effectively. The reduction in the amount of ring-fenced funding from £2.7 billion to £0.9 billion will provide that flexibility.

The value and room to manoeuvre that local authorities will be able to achieve will, we hope, help them to provide better front-line services. Certainly, the message that we are getting back from local authorities is that the room to manoeuvre that the Government is giving councils

as part of the settlement may not be measurable in cash terms but will have a cash impact in the amount of benefit that it provides to the public purse.

Mary Mulligan: Although there was ring fencing in the past, I do not think that it was unheard of for progressive local authorities such as West Lothian Council, which already had teachers in the nursery setting, not to be disadvantaged by its introduction. I would not want anybody to think that, suddenly, heaven has been invented here in Scotland. In fact, relationships on various issues were very good in the past—I can say that from both sides of the argument, having been a councillor.

However, I am concerned about some of the outcomes that may not be achieved due to the removal of ring fencing. Local authorities will concentrate on fulfilling their commitments in the concordat, as that will be the right thing to do. Nevertheless, there are other priorities, to which the convener has referred, such as the funding stream that provided for raising the attainment of looked-after children; the national priorities action fund, which included funding streams for things such as additional support for learning, discipline measures and nutrition, which you have mentioned this morning; and the measures in the Scottish Schools (Parental Involvement) Act 2006, with which you were very involved in the previous Parliament. How will we guarantee that those are not lost in the mix because local authorities are focused on what is in the concordat and are not necessarily fully funded for that work?

Fiona Hyslop: They are fully funded for the arrangements in the concordat. As has been acknowledged, the settlement that we provide to local government provides for all that work through a number of provisions, which include the uplift of the extra £1.3 billion and the efficiency savings, which have a value of at least £200 million.

Mary Mulligan asked the important question of how we ensure that the outcomes are delivered. We have a common understanding that we must work better and harder to deliver for looked-after children. In March, the previous Government produced the strategy for looked-after children and this Government is committed to delivering on it. My colleague Adam Ingram is keen that we develop the work on the matter.

How do we monitor progress? That is where the indicators come in. The issue is scrutiny and accountability. How do we ensure that local government delivers on what we collectively want it to achieve? Our approach puts greater emphasis on what is contained in respect of child protection issues in Her Majesty's Inspectorate of Education reports. A local authority's delivery for looked-after children should be considered in inspections both

at council level and in individual schools—it is particularly important at that level. Mary Mulligan brought looked-after children from West Lothian to Parliament to tell us about their experience in education and at school. Such information is crucial. Although we have national policy and local policy, the important issue is the impact on each individual at school.

We must work together when we shape the new scrutiny and inspection regime—the Education, Lifelong Learning and Culture Committee will have an important role—to ensure that we get all the evidence and that the indicators are right. That is why we worked with COSLA to consider what indicators there should be. The HMIE inspections and the joint inspections for child protection—another matter in relation to which members might wonder how we ensure delivery—become crucial. The content of what is scrutinised and inspected is crucial. It is right to identify those issues as being important, which is why, for the first time, inspection and accountability measures are included in the spending review document so that we can outline how we will ensure that the money is released and delivered.

Obviously, post-Crerar, how we align all the inspection regimes to deliver on that aim is a major challenge for Government, but our approach can helpfully and usefully be informed by Parliament and the committee. It is important that we work together to ensure that the committee is happy that the content of the inspection regime ensures the accountability of the funding so that protection of the most vulnerable children in particular and other objectives can be delivered.

Mary Mulligan: I do not doubt the cabinet secretary's commitment, but I am concerned that she is perhaps over-optimistic about our ability to fulfil our objectives. Clearly, that is an issue that we will be able to look at over the next few years.

Fiona Hyslop: The offer is there.

Convener, can I ask what the timeframe is for this meeting?

The Convener: I hope that the next question will be the last one.

Fiona Hyslop: Okay. Some of my officials may have to leave because of prior engagements.

The Convener: I am aware that you have been at the committee for some time, so I am anxious that you be allowed to go. The committee also has other items on its agenda. I ask Mr Purvis to make this the last question and to keep it short.

Jeremy Purvis: It is a brief follow-up to Mary Mulligan's question. One area of funding that is no longer ring fenced is special educational needs. No indicator is relevant to it. How, in that case, will Government monitor whether local government is

providing the same level of support that was provided previously?

Fiona Hyslop: It depends on how you look at things. One national outcome is to ensure that

“Our young people are successful learners, confident individuals, effective contributors and responsible citizens”

I think that that applies to all children in Scotland, whether or not they have special needs. The role of the inspection regime is clearly important. HMIE recently reported on the impact of the Education (Additional Support for Learning) (Scotland) Act 2004. I expect the inspection reports to deliver. We will also be able to examine indicators by groups of pupils. I want inspectors to consider, in their inspection reports, the impact on looked-after children and the impact on children with additional support needs.

In addition, a high-level outcome is to ensure that

“We have improved the life chances for children, young people and families at risk”.

I see the outcomes as being integral to our delivery. It depends on one's outlook—to me, the outcomes that relate to the success of children at school provide for everybody, whether or not they have additional support needs.

13:00

Rob Gibson: Convener, you may have forgotten that I raised my hand.

The Convener: I was not aware that you had raised your hand to indicate that you wanted to comment. However, I will allow you to come in.

Rob Gibson: My question is brief—on the basis that I hope that we might get a short answer. Would you expect the annual reports to indicate progress on the matters that we have been discussing, and will they become increasingly important in monitoring progress?

Fiona Hyslop: I apologise if my answers have been long, but I have tried to give as much information as I can.

The answer is that the annual reports will do that. This again comes back to the changing relationship between national Government and local government. Another issue that is worth exploring is that there may also be a change in the relationship between Parliament and local government.

Rob Gibson: I apologise, on behalf of the committee, for members' long questions.

The Convener: You do not need to apologise, Mr Gibson, and you do not have the consent of the committee to make such an apology. That was a rather inappropriate comment.

I thank the minister for her attendance and for answering our questions as exhaustively as she could.

Fiona Hyslop: We know that there is one point that you wanted us to follow up on. The timescale is obviously tight, so if you want us to give additional information on any other points, it will be helpful if you give us an early indication of that.

The Convener: Thank you.

That ends the public part of the meeting. I ask for the gallery to be cleared to allow us to move into private session.

13:01

Meeting continued in private until 13:43.

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