

EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

Wednesday 1 October 2008

Session 3

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EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE 23rd Meeting 2008, Session 3

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

COMMITTEE MEMBERS

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

COMMITTEE SUBSTITUTES

Claire Baker (Mid Scotland and Fife) (Lab)
Ted Brocklebank (Mid Scotland and Fife) (Con)
Bill Kidd (Glasgow) (SNP)
Hugh O'Donnell (Central Scotland) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Marie Burns (Skills Development Scotland)
Linda Ellison (Skills Development Scotland)
Damien Yeates (Skills Development Scotland)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Nick Hawthorne

ASSISTANT CLERK

Andrew Proudfoot

LOCATION

Committee Room 6

Scottish Parliament

Education, Lifelong Learning and Culture Committee

Wednesday 1 October 2008

[THE CONVENER *opened the meeting at 10:10*]

Decision on Taking Business in Private

The Convener (Karen Whitefield): I open the 23rd meeting in 2008 of the Education, Lifelong Learning and Culture Committee. I remind everyone present that mobile phones and BlackBerrys should be switched off for the duration of the meeting.

It is my great pleasure to welcome members of the Flemish Parliament's Committee for Culture, Youth, Sports and Media to the public gallery. I understand that they will stay for a bit of the meeting before heading off for a tour. They will come back to meet us after our formal business. I hope that you enjoy your visit to the Scottish Parliament. Other members of the committee will join us soon. [*Interruption.*] I think that they are arriving now.

The first item on our agenda is to ask whether the committee is content to take in private item 4, which, as members will be aware, is consideration of a paper on our approach to our stage 1 scrutiny of the proposed education (additional support for learning) (Scotland) bill. Is that agreed?

Members *indicated agreement.*

Budget Process 2009-10

10:11

The Convener: The second item on our agenda is our continued consideration of the budget process 2009-10. Today, we will take evidence on skills and lifelong learning issues as they relate to the draft budget.

I am pleased to welcome representatives of Skills Development Scotland, to whom I am grateful for waiting patiently until our Flemish guests arrived. We have been joined by Damien Yeates, who is the organisation's chief executive, Marie Burns, who is the director of skills interventions, and Linda Ellison, who is the director of finance and corporate services. The committee has noted your submission. We will move straight to questions.

Mary Mulligan (Linlithgow) (Lab): Good morning. The opening statement of your submission is about the bringing together of a number of different bodies to create Skills Development Scotland. I appreciate how challenging that process might have been for you, but I believe that a sum of £16 million was allocated for transition costs. How did you use that finance for the transition? What were the outcomes of that expenditure?

Damien Yeates (Skills Development Scotland): I will begin and Linda Ellison can provide some of the detail.

The transition budget still exists; we have not made significant inroads into it. As that budget was provided for the organisation's future and its future needs, it would not be right to spend it in advance of knowing where the business will go in the future. I was appointed only in the first week of July. Since July, we have worked extensively to reflect on where we need to go in the future, what needs the organisation must address and how it must respond to the Government's agenda.

As we move forward, we face a very different landscape. We have a single purpose now that the Government has set the key goal of achieving sustainable economic growth, with which public sector organisations must align their resources. Six purpose targets surround that key goal. In addition, "Skills for Scotland: A Lifelong Skills Strategy" provides guidance for the future that is significantly different from what we had in the past.

We have an overall budget of around £176 million, but the total investment in skills and learning in Scotland is between £5 billion and £7 billion, so we have begun to reflect on the fact that something systemic will have to happen to affect

some of the key priorities that have been set for the organisation.

We have taken account of those macro factors and of the fact that the four organisations that came together to form Skills Development Scotland had very similar but different backgrounds. We have spent the past eight to nine weeks developing a new business model for how to effect change in the skills and learning landscape.

The transition budget will now be used to effect the change that we need in the forward-looking business, rather than to knit stuff together. There has not really been a merger or a coming together; the best way to view us is as a new business start, because we have a new proposition.

We have a massive customer footprint, so data management and collection are major challenges for us. We need to be kept informed about movements in the market—sectoral movements, regional movements and changes with individuals and employers.

That is the context in which we are considering using the transition budget. I ask Linda Ellison to give you a sense of the areas where we expect expenditure against that £16 million to come from.

10:15

Linda Ellison (Skills Development Scotland): In her letter to the convener at the end of March, the Cabinet Secretary for Education and Lifelong Learning said that she expected the money to be spent on bringing together the staff from the four organisations and on the business processes and systems around that. That is what we anticipated we would spend the money on.

We will have to consider harmonising the terms and conditions of four different organisations. We have coming together the former Scottish Enterprise skills and Careers Scotland staff—the Careers Scotland element within Scottish Enterprise was not integrated but aligned, so it has a slightly different arrangement—the Highlands and Islands Enterprise skills and Careers Scotland staff, the former Scottish university for industry staff and learndirect Scotland staff. We are working closely with union representatives on that.

We know that we need to spend a significant amount of money on bringing together and replacing legacy systems and getting the right systems for the future. We brought forward two significant systems: the corporate training system from Scottish Enterprise that manages every aspect of national training programmes and the insight system that was used by Careers Scotland for all its interventions with young people. Both those systems were on the brink of being replaced

as we were leaving Scottish Enterprise. We now have the opportunity to consider what we really need for the new business in our new role.

We also want to examine our channels to the market, which will have implications for our information technology. We are working on the IT strategy, which matches the business model that has come out of the work since April.

Mary Mulligan: I think that other members will ask about your future purpose. How much of the £16 million has been spent so far?

Linda Ellison: We have in excess of £15 million left. We have still to spec the systems that we want.

Mary Mulligan: So it has been agreed that that money will be carried forward.

Linda Ellison: We have been discussing that with finance colleagues in the Scottish Government. We hope that we will be able to carry forward elements of it. We also hope that we will use a substantial part of it before 31 March, but it would be unrealistic to think that we will spend it all sensibly in that time.

Mary Mulligan: But you are still discussing whether there will be a carry-forward.

Linda Ellison: Yes.

Mary Mulligan: In your original answer, you outlined some of your future needs. Will the £16 million be sufficient or are you negotiating for more resources to support that change?

Linda Ellison: It is difficult to say. We anticipated that we would need £10 million for the systems side, but we also have staff and management development to do for the new organisation, as well as harmonisation costs. One of the unknowns for us is pension crystallisation and how we all come together into one pension fund. The costs associated with that might well be too high. We are investigating that at the moment. It is unlikely that we will know the position on that by 31 March. We have been flagging up the sorts of issues that will need to be dealt with.

Mary Mulligan: Given the organisation's projected budget, we do not want to see such costs eating into it.

Damien Yeates: Absolutely. The budgets are challenging, as you might expect, for many public sector organisations, because we are all facing the same challenge of balancing where money goes and priorities. Broadly, within our budget, the management team and the board are up for the challenge, and we can deliver what we need to deliver.

Efficiencies will arise from the four organisations coming together, and we will take an invest-to-

save approach. We anticipate that some of those efficiencies will bear fruit in years 2 and 3, as we begin to roll out the new model. On balance, in any programme that does not have 100 per cent sight of the future, anticipated efficiencies should offset unforeseen costs. It is challenging, but the board is up for it and we can deliver against our budget.

Margaret Smith (Edinburgh West) (LD): I have another question on what those efficiencies might be. Some of us are concerned about what the added value is in pulling together four organisations that were doing what they were doing, and about putting a £16 million price tag on the transition costs alone, when we want to see the work being done face to face with employers and others. Can you say a little bit more about what you think the efficiencies will be in bringing the four organisations together?

Damien Yeates: I will answer that, and I will also say what I think the added value will be. Both points come together and offer good reasons why the creation of the organisation represents good value for money.

The classic efficiencies will come from joining up back-office services and marketing programmes, and from the complementarity of customer groups. If you look at them, you will see that there is huge complementarity across learndirect Scotland, Highlands and Islands Enterprise, the skills interventions and careers services. We will be able to bring an integrated service to customers and thereby achieve efficiency gains. I could go over all the back-office functions and the estates, which are the usual things that you expect to look at when four organisations are brought together. However, the promise for the future is much more significant than that. We hope to take an approach to public service delivery that is more systemic and less directly focused on where we intervene. We think that we can deliver what we have all been delivering efficiently and effectively, but we can deliver an awful lot more.

To go back to the comparison of our budget of £176 million against the £5 billion to £8 billion of investment, Skills Development Scotland has an opportunity to engage more proactively with national and local partners. Our national partners include the Scottish Further and Higher Education Funding Council, which has a budget of £1.8 billion. In the past, there has not been great connectivity between the major national public bodies. We now have a strategic forum where Scottish Enterprise, HIE, VisitScotland, Skills Development Scotland and the Scottish funding council meet, and we are now agreeing on interagency priorities. The major challenges for the funding council to address include questions about the connectedness of vocational opportunities and

school-college collaborations. In future, Skills Development Scotland and the funding council can eke out an awful lot more benefit and reach for Scotland.

In addition, there is a range of barriers or blocks to the system being more efficient. For example, investment is being made in skills for small and larger businesses and the public sector, but we only seem to address the types of intervention to which we contribute directly. Our accreditation systems are designed from the public service side rather than from the user or small business side. With new partnerships between Skills Development Scotland, the Scottish Qualifications Authority and the Scottish credit and qualifications framework organisation, we hope to unlock routes to helping small businesses and sector skills councils to address the challenges that they face in investing in skills.

At the local authority and community planning partnership level, we are clear that the needs of Glasgow are very different from those of Aberdeen. The people on the ground who deliver services in Glasgow have a much better sense of the city's socioeconomic challenges and sectoral strengths. We are simply trying to take a more flexible approach to the national training programmes. We are thinking about how we can include the get ready for work programme, training for work and so on in local interventions by community planning partnerships and create flexibility to ensure that what is needed in Glasgow or in Aberdeen is delivered there. At the moment, the national training programme is quite inflexible in its one-size-fits-all approach. We need to respond with much greater local flexibility.

We have never before tried to add significant value through national partnerships or considered mutual areas of co-development and co-design. We have never before had this kind of depth of partnership working at local authority level. That represents significant added value on top of our current direct delivery, and it promises much for the future.

Elizabeth Smith (Mid Scotland and Fife) (Con): The very considerable challenge that you have just described, which is emphasised in the second paragraph of your submission, comes at a time when the economic climate is very difficult, when businesses are putting considerable pressure on skills development, when changes to the SQA are being consulted on and when the Government has—quite rightly, in my opinion—put a lot of emphasis on vocational training. How are you going to do everything that you have mentioned, given that this time next year you will be facing a year of budgetary constraints?

Damien Yeates: That is a very good question. As you have described, the environment is very

challenging but, as the name Skills Development Scotland makes clear, we have to claim ownership of that. The Government has said to us, "Listen—certain common outcomes and outputs are owned by all the public sector agencies, and everyone needs to buy into that." Given that we have a budget of £176 million for skills investment and that £5 billion to £7 billion goes into the market, it is simply unreasonable to expect us to deliver everything.

There are three elements to what we are about. First, we want to deliver robust universal services to ensure that everyone can get advice, support and access to what they need. Secondly, we must make more of a priority of what we do with our most expensive and value-added resources and ensure that, for example, our face-to-face advice and modern apprenticeship programmes deliver maximum value. Thirdly, as I said previously, because of the significant challenges that we face in these difficult times of economic downturn and pressure on public finances, our public sector agencies must be incredibly collegiate and clear about how the last ounce of resource can be squeezed out of our collective funds for the benefit of individuals and businesses.

Elizabeth Smith: In the second paragraph of your submission, you say that the new strategy was designed to respond to "economic demand". Do you accept that that demand is going to grow proportionately, given the Government's emphasis on widening access and given that, if the SQA reforms go ahead as the Government has proposed, there will be more of a focus on skills and vocational training? Despite the fact that you will have to deal with much greater demand for 10 or 20 years down the line, your budget will still be cut the year after next. I appreciate that businesses themselves contribute to the overall spend—I believe that you mentioned a figure of £5 billion to £7 billion—but how are you going to address that kind of pressure?

Damien Yeates: I refer you to my previous answer. We have to be incredibly focused in our approach. In the past, the approach of all the agencies that now comprise Skills Development Scotland was dominated by volume-based targets. The efficacy of that approach, however, has been called into question. For example, according to research carried out by Professor Ewart Keep of Cardiff University and comparisons made by the Organisation for Economic Co-operation and Development, Scotland does incredibly well in the acquisition of qualifications. Indeed, Professor Keep likened it to an arms race in which Scotland outperforms everyone in stacking up qualifications. However, that activity has not translated into greater competitiveness and productivity. The Government's big agenda is to focus on why that is the case. Is there something wrong with

Scotland? Why is it underperforming in economic key measures but outperforming everyone else with regard to inputs?

One of the big agendas for us to address is skills utilisation. To what degree is the investment in skills being put to best use? It comes back to the idea of smartness: there is enough money in the system, but how is it working to create an impact that results in sustainable economic growth? That is why the opportunity that we now have is incredibly exciting. We are asking challenging questions about efficacy. The issue is not funding but what comes out the other end of the investment. Skills Development Scotland is part of answering that question. Through the Scottish funding council, £1.8 billion is being invested. There is a huge responsibility on Skills Development Scotland to engage with the funding council and consider how more of that money can be leveraged against vocational qualifications in schools.

10:30

Elizabeth Smith: The funding totals are a matter for me to ask the Government about—it is not a question for you—but you will face increasing demands from school leavers who will have much greater focus on skills. You say that it is not only about money. What can we do, particularly on the links between schools, colleges and universities, to improve the skills base? Is it a matter of changing the curriculum in schools or changing the focus in examinations and qualifications? What do you suggest we should do to improve the skills base and make your job easier?

Damien Yeates: That is a super question. The week before last, I was with a major global organisation that Harvard business school views as having the best example of workforce development in a global organisation. The organisation's three key words in investing in its workforce are knowledge, confidence and risk, and it says that the route to delivering knowledge, confidence and risk is education, exposure and experience. When I reflected on that, it struck me as remarkable that education, exposure and experience are the key words in the curriculum for excellence and that, totally unconnected, the vice-president of a global organisation said that they are the three aspects that make that organisation work.

It is clear from the research that early years education has the most significant impact on progression outwith school and positive destinations. There are significant developments in school-college collaborations and addressing the parity of esteem between vocational and academic opportunities. For example, one of the

most incredible opportunities that your son or daughter could have would be a modern apprenticeship in architectural design with BAE Systems. It is far more significant than a university degree.

There are many different pathways. We need to effect a change in the system that makes the connections even better, but the big challenge on schools is in 16-plus learning opportunities and the more choices, more chances agenda. Especially in our urban areas, significant numbers of young people still leave school with no positive destinations. The idea that some kind of Government intervention over the three winter months or six months will address 14 or 16 years of prior education that has not worked for those young people is unrealistic. That is where the systemic approach in the curriculum for excellence is critical. If it delivers education, exposure and experience, we will begin to have an effect on the underperformance in some of the areas that we have talked about. That in itself will be a major contributor.

There is no silver bullet. We will witness percentage changes and improvements in key areas, but the overall combination will be significant enough to address what we need to do.

Elizabeth Smith: What change would you most like to see come out of the SQA reform of learning between 16 and 18 that you feel would create a better qualifications system? We have to explain that to parents, pupils and teachers.

Damien Yeates: I will give you my answer, but I will also pass over to Marie Burns, who is an expert on that.

One of my passions is industry-centred content and the degree to which industry understands the skills that it needs for the future. I can give you lots of different examples. I have met folk from the financial services industry who are developing curriculum in that space, and I have been actively involved with organisations such as Microsoft, Cisco Systems, Adobe and Oracle, which have invested millions of pounds in content that they think imparts the skills that the future workforce in the technology industries will need. Until recently, there has been a dislocation between the validity of that investment and the weight that we place on it, as compared with our public service systems and what we think is right for them. The system needs to be loosened up a bit to allow industry to certify—not to water down—its investment and to self-certify with some kind of audit and control, obviously.

We need to free up the investment that is already being made, rather than block it, so that more of it can happen. For example, the IT essentials A+ certification, which is part of a

curriculum developed by Hewlett-Packard in partnership with Cisco Systems, equates with SQA levels 3 and 4, so it is around the modern apprenticeship level. It is currently mapped against standards. The week before last, I attended a graduation ceremony of the Edinburgh Community Technology Academy, where 200 young people from disadvantaged communities had gained IT A+ certification. It qualifies them for a huge number of jobs, the content is accessible, it is technician based and it leads them to not just a job but a career, because there is a lot more curriculum behind the qualification. However, it does not feature among anybody's numbers or statistics and it does not feature in the modern apprenticeships debate. There is a rich seam of industry-based activity out there, but our systems have not quite connected with it and we have not taken advantage of it to the extent that we would have hoped. That is my personal pitch, but Marie Burns will offer her views, too.

Marie Burns (Skills Development Scotland): I will add only one point to what Damien Yeates said. As we have discussed with the SQA, our concern is about not so much qualifications as issues around exposure and experience, as Damien mentioned earlier. We are trying to build an evidence base upon which we can decide which interventions to develop. Some of the evidence that we already have, for example from Future Skills Scotland, is about the need for improved softer and essential skills. That is where the skills gap is in the labour market.

Where young people have not achieved the full modern apprenticeship qualification, the problems have been to do with softer skills, not technical skills. When we discussed that with training providers and the SQA, the problem was not the certificate but how the learning was taught and the environment in which young people learned. The curriculum for excellence goes some way to addressing that problem, but there are big challenges for schools in delivering learning more flexibly to meet the needs of learners and in helping to generate an environment in which softer skills can be developed, which is the big issue for employers.

Damien Yeates spoke earlier about how the continuous banking of technical skills that we have done in recent years will not solve that problem. It is a challenge for everyone, and employers have a major role to play. We are working with the sector skills councils to examine how we can engage employers and bring them together with schools to create that wider environment where young people can develop softer skills.

Christina McKelvie (Central Scotland) (SNP): Good morning. I want to drill down into the detail of some of the questions that were just asked by

my colleague. I am interested in parity of esteem between academic and vocational qualifications and the softer skills that are built into that. Will you give us a wee update on your progress in pulling that together?

Marie Burns: On parity of esteem?

Christina McKelvie: Yes.

Marie Burns: One of the things that we have been engaged in over the past few weeks is working closely with the funding council to look at the academic and vocational routes in various sectors. There are huge challenges there. We are going back to the evidence, taking a sectoral approach and asking, "What does each sector need and how can that be best delivered?"

Some competencies for young people can be delivered through an academic route, whereas others are best delivered through workplaces and a vocational route. We are trying to find out from the colleges what they are best placed to deliver and what we are best placed to support through the vocational route with employers. We do not yet have the answers to those questions. We are considering some modern apprenticeships, for example, and saying that if some work is done using the knowledge and understanding in the colleges and the young people then complete workplace learning, that would give us a new approach. It is a matter of what suits young people, taking away the silo approach that involves saying, "This is academic learning and this is vocational learning", and giving young people better blended learning.

We are also considering the progression routes from modern apprenticeships to degrees, and trying to ensure that a variety of routes are available for young people to get higher education qualifications. We are working with the funding council to try to identify what can be done in sectors such as engineering so that if a young person completes a modern apprenticeship, they will have a work-based route with their employer through to a full degree course. There is a range of pilot activities. That is one of the challenges in our early work with the funding council and the sector skills councils. We have to engage employers in the industry, get their understanding of the opportunities and routes that are available for young people, and find out how we can best support them.

Damien Yeates: The other major aspect is the Scottish credit and qualifications framework. Scotland is in the vanguard with its comprehensive qualifications system. That takes us back to bureaucracies and the ability to put a framework around what Marie Burns has just discussed to give appropriate legitimacy and accreditation. There is a lot of work on how to recognise prior

learning and to accredit experience gained on the job. Accreditation that is based on quantitative analysis is easy, but accreditation that is based on qualitative analysis is difficult, although qualitative analysis is almost richer and is, in our experience, the thing that employers want most. I am talking about the application—the doing bit—rather than knowing about something but not being sure how to do it.

How should things be certified? As I said before, the challenge for us, the SQA, the funding council and the SCQF is to crack that. The terrific thing for Scotland is that we have all the bits of the jigsaw; we now need a big push to put things into practice. There is a big challenge for the SCQF and us with employers. It is fine for us to say that we think we have the framework they need that will address their problems, but do they recruit on the basis of qualifications? Does the framework really matter? Are qualifications a first step to recruiting people? How do we bring the SCQF to life so that it is viewed as a valuable tool for employers in understanding the investment that they are making in their employees?

Marie Burns: The value of bringing organisations together was asked about. Information, advice and guidance are vital if we want to take a more flexible approach to building people's qualifications and experience. Those things and the SCQF are the threads that pull things together. An integrated organisation has the benefit of being able to pull things together.

Damien Yeates: To hammer the point home, one of our big ideas is a skills account that follows the individual and is shared among all the agencies. We want to stop doing things to people; instead, people should start to pull services. I am talking about a fundamental approach to public service delivery. We all face challenges with a reduced tax take and increased public expectations, and we must be much smarter about public service delivery. In the past, we have all been guilty of going into a dark room, deciding that we have worked out what people want and then spending lots of public money in pushing that at them.

We must create environments that allow people to access the services that they need, and we need to treat individuals as folk whom we are going to have relationships with rather than folk whom we are going to transact with. The volume activity approach to public service delivery, which is almost a manufacturing approach, results in transactions—it means that if 20,000 people were dealt with last year, an improvement would be to deal with 22,000 this year. However, nobody gets to ask whether that is what people want, whether they are happy with it, and whether they co-create and pull down services. We should consider the

components that we have. There could be a skills account and differentiation of entitlement.

10:45

Instead of having a single learner account as we do at the moment, we could have a skills account that put money into people's pockets. They would be given the power to exercise choice, although there would be constraints on the choices that they could exercise, and they would put pressure on the institutions to respond to their needs in the context of an overall economic view. It was extremely encouraging to hear John McClelland, who is chairman of the Scottish funding council, say at the recent strategic forum that the council is no longer about funding for institutions, but about funding for provision. That is a fundamental shift to a customer-centred approach.

By thinking about an Amazon-type environment where the individual is absolutely in control, wrapped around with direct face-to-face, web-based or contact-centre advice if they need it, we can design a much more efficient way to give individuals expression of what they need, but it will require significant investment in technology systems and web enablement.

Christina McKelvie: I am a great champion of that person-centred, holistic approach to learning because I saw the direct benefit of it in a previous life. You touched on drop-out rates and the children who need more choices and more chances. I want to tease out how you are supporting some of the young people who have issues that cause them to drop out and not finish their qualifications. I can imagine how the person-centred holistic approach would address some of that, but will you give us more detail of how you deliver it?

Damien Yeates: That is a good question, which relates to priorities. Of course, we will have universal offerings. In the past, we have tried to be all things to all people and to ensure that everybody can access the same level of service. In the future, we need to be clearer that the most expensive interventions that we make will be directed at the people who are in most need.

A substantial amount of our budget—well in excess of 60 per cent—is invested in the 12 to 19-year-old group. We are now reflecting on what needs to happen differently in that space to add value. There are two parts to that. First, what do we do directly by way of information and advice, particularly careers advice, in a school environment? Secondly, what do schools need to do in response to the curriculum for excellence and what is the role of teachers and parents in the decision making?

We are thinking hard about the mother and son test: would you be happy for your mother or son to get the service that we currently offer? At the moment, there are examples of really good practice but, because of previous challenges from Government—for example, that we guarantee an exit interview for all school kids—there is no sense of prioritisation. Increasingly, we will develop much more in-depth services for the kids who, in their early years, are identified as being vulnerable or in need of additional support.

In a minute, I will pass over to Marie Burns for her to speak about specific programmes. We are a key partner in a raft of Government-sponsored programmes that are connected to the more choices, more chances agenda and we are leveraging get-ready-for-work funding and our own information, advice and guidance funding.

If we consider regional disparities, we see that the statistics on young people progressing out of school in Dundee, Glasgow and areas of Edinburgh are far more challenging than in other parts of the country. It comes back to the community planning partnership approach. There is a range of issues connected with social services and health care. Our school-age young people are not affected by one factor alone; they have social networks—which are typically chaotic—on which multiple factors have an impact. The solution will not be what happens in school but what happens in their neighbourhood, what happens in their home and what they believe about themselves. There are big challenges in that, but it is one of our most significant priorities for the future. As I said, our test is whether we stand up to the mother and son test as we refresh our programmes.

Marie Burns: There has been a lot of talk about systems and processes this morning, but we need better intelligence. That is partly a matter of systems but it is also to do with partnership working. We need to know why young people are dropping out and there are probably a couple of areas that we need to cover. I mentioned young people not achieving a full modern apprenticeship or a level 2 in skillseekers. Often, those young people are still in employment, but neither they nor their employers see the value of completing the qualification. That happens in some sectors. We must ask why we continue to provide funding when the arrangement is not working for the young person or the employer. We need to consider issues that relate to learning in employment and the qualifications themselves.

For the MCMC group of young people who face multiple barriers, which Damien Yeates mentioned, we have for some years run the get ready for work programme. A criticism that could be made is that we have layered that programme on top of what local authorities do to support that

group. SDS has talked about how we can use that resource and the expertise and experience that we have developed through the get ready for work programme to work with each local authority on the major issues in its area. Through get ready for work, we know that in one area the big issue might be drugs, whereas in another area it might be homelessness. We need to work with each local authority to identify the challenges in its area.

SDS is keen to take a local delivery approach that is based on each local authority area's needs. We will use the get ready for work framework to work with the range of services that local authorities offer young people. We will try to engage young people in taking the step towards employment and training at the right time and in the right place.

Kenneth Gibson (Cunninghame North) (SNP):

I am heartened that SDS is taking a qualitative and rounded approach, rather than playing a tick-box or numbers game, which has often been seen to be the case in the past with other organisations. The delivery of in-depth services is key.

How do you ensure equality not only of access, but of delivery—geographically and by gender? Damien Yeates said that 60 per cent of SDS's resource is spent on 12 to 19-year-olds, but what about older workers? Damien Yeates also talked about education, exposure and experience. Older workers often have experience, although they might not have confidence if they have had knocks in life. How do you marry those two groups and ensure equality of delivery throughout Scotland for both?

Damien Yeates: That is a remarkable insight. In recent discussions with Professor Alan McGregor of the University of Glasgow, he has given his pitch about the population question, demographic profiles in the future and the number of people who will participate in the labour market. Generally, he feels that greater intervention in the older age group will impact positively on participation rates and increase the supply of labour into the market. That activity is underdeveloped.

As all of us see our pension funds disappearing before our eyes, the sense is that we will all work longer and that we will be under pressure to work longer, which challenges the notion of lifelong learning and the degree to which individuals face choices. If I have been trained in a particular skill and, when I hit 50, a structural change occurs in that sector, what barriers do I face to re-entering the labour market? They must be incredible. Most investment takes place at the labour-market entry point for younger people. In the development of our operating plan for 2009-10, our challenge is to balance the emphasis in that plan.

There are three key prongs for our individual priorities, aside from businesses and so on. The first is young people who are disconnected and struggling. Another cohort that I talk about is low-paid, low-skilled workers. If I were in a young married couple who lived in social housing, earned the minimum wage and had three kids at school, what would be my progression? Where would I go? What would Skills Development Scotland and the system do to advance my opportunities?

The third area is older workers who are facing structural change in their industry and the degree to which they can be retrained to go back into the labour market. All the things that Kenneth Gibson said about the advantages of experience and exposure are absolutely right. However, we point to anecdotal evidence of an in-built bias in the workplace, which means that when people get beyond a certain age, we do not see a huge amount of value in them. Labour market supply pressures will change that, just as we saw changes with migrant workers and so on. There is a big challenge for Skills Development Scotland in those three areas.

The low-paid, low-skilled area is huge. Scotland underperforms significantly relative to other Organisation for Economic Co-operation and Development benchmarks. For example, we have a far higher percentage of workers at low-pay level than Denmark has. Do not quote me on these statistics, but I think that about 3 per cent of Denmark's labour force is in low-paid jobs, whereas in Scotland it is anything between 17 and 21 per cent. That means that there is the potential for in-work poverty. How do we affect all three areas in relation to skills utilisation, economic productivity and competitiveness? There are massive challenges in relation to young people and low-paid and low-skilled workers, but one of the big awakenings that we need to have is around older people.

Kenneth Gibson: That is a fundamental point. I always think that people aged over 45 are something of a lost generation. There are people who have a lot to contribute and who can contribute a lot more, but there is chronic ageism among employers, which affects not just lower-skilled workers but management groups. I remember reading a study of 500 employment agencies. When asked if they would employ senior managers over the age of 45, none said yes. They are all looking for young, dynamic, thrusting types—like me, obviously. That is a real issue across all skills sets. I am heartened by what you have said about refocusing on that group, because older people have a tremendous amount to offer. Given the demographics in Scotland, whereby far fewer younger people will be going into the labour market in the next decade, there will have to be a re-emphasis on older workers in any case. The

sooner we do that, the better it will be for the Scottish economy.

Damien Yeates: Everybody is a winner in some sense. From a public finance point of view, people in work deliver on the tax take, so they are not a burden on the system. I think that it was Professor Schuller who did a study of older people engaged in learning and found that an older person who is engaged in learning or a similar activity is eight times less likely to attend their general practice or be receiving some form of treatment. The health benefits are therefore huge. I honestly think that the number of older workers could be a massive advantage for Scotland in terms of labour market supply. It is not just about the typical characterisation of the B & Q worker; we need to be much more ambitious.

Marie Burns: The big challenge for us is to get the message across that we are not necessarily talking about modern apprenticeships. There has been a lot of debate about modern apprenticeships in the past few months. Workers have a range of needs, to which we have to provide a flexible response. We need to be freed up from simply saying that modern apprenticeships are the silver bullet in every case, because they are not.

Damien Yeates: What is good about the modern apprenticeship is that it captures our ambition around the quality and connectedness of the opportunity to the labour market. People who have experienced significant apprenticeship programmes in the past sense that the modern apprenticeship is a fundamental opportunity going forward. We need to grab hold of that principle. However, the solution might be different.

The Convener: What discussions are you having with trade unions, who are often best placed to identify the training needs of their members in the workplace? The Scottish Government is resourcing the Scottish Trades Union Congress through the trade union learning fund to train learning reps. Where do the trade unions fit into your discussions?

11:00

Damien Yeates: I will say a bit about that and then allow Marie Burns to answer. The unions have a terrific role to play. We cannot deliver everything by distance. There are channels, avenues and circles of influence that impact on people's lives. For some people, access to a union rep is highly significant. It is a hugely important way of influencing and promoting skills investment. We think that the unions have an extremely important role to play as we move forward.

The STUC is a leading member of the working group on skills utilisation and has introduced some

interesting programmes that have been delivered in Ireland and other parts of Europe. The STUC has been incredibly forward thinking about how we affect and invest in work-based learning. It places strong emphasis on that.

The unions' efforts are hugely welcome. When I was chief executive of learndirect Scotland, we had a terrific relationship with the unions. Through the union learning fund, union reps were significant promoters of individual learning accounts and used them extensively as part of their range of tools. I go back to the point about a collegiate approach. There is a role for the public service and for employers, but the unions have a huge role to play, too. It is about coming to the table and asking how we can play to our strengths in such a way that we do not layer over the unions' capability, and how we can put wind beneath their wings by providing them with more resource and greater capability. At the same time, we must deliver our own work in a more collegiate way.

The Convener: Before Marie Burns adds to that, I would like to pick up on something that you said. There is no doubt that the trade unions have a role to play and I think that they are more than willing to meet that responsibility. There are also employers who take their training role seriously, but there is a frustration about where the funding for the delivery of that skills training is going to come from.

Let us take the example of Stow College, which is a training facilitator for trade unions such as ASLEF and Unite. The funding for that comes from the European social fund. In the future, it might well be the case that we are not able to attract such funding, so where will the money come from to meet people's training needs? Employers have already invested in workplace training facilities and provided the necessary equipment, and are willing to facilitate workplace learning in the middle or at the end of shifts. The employers are playing their part and the trade unions are playing theirs by identifying workers who need to build up and develop their skills. The issue is where we find the money to pay for that education and delivery of skills. Is that not your job?

Damien Yeates: I disagree fundamentally. If it is perceived that the only problem is the loss of European funding, we are missing a real sense of the challenge that we face. I go back to the assessment of Scotland's economic performance: it is underperforming significantly in comparison with its OECD competitors. That is the challenge that we face and we must work backwards from it.

In the past, training programmes have relied on European structural funds. Addressing specific funding problems is a challenge, but it is not the bigger challenge. The bigger challenge is how we turn all that investment into a positive impact on

sustainable economic growth, which is not happening at the moment. We are outperforming other countries when it comes to stacking up qualifications, but although people here are acquiring more qualifications than people in any other comparator country in the OECD, we are not translating that into increased productivity and increased competitiveness.

It is as if you are saying, "The merry-go-round isn't going as fast as it used to, so let's get some more electricity to make it go faster", when maybe we need to stop the merry-go-round. Perhaps we should challenge the system and measure the efficacy of what is being done at the moment against the key indicators of success. The indicators of success are economic competitiveness and productivity, and below that the six purpose targets give a clear sense of the economic and social benefits that arise from sustainable economic growth.

I agree that we face a short-term challenge vis-à-vis European structural funds, but the bigger challenge relates to our leverage of the significant investment in skills and learning, which amounts to between £5 billion and £7 billion. That money is not being leveraged to the benefit of Scotland's economy. The independent statistics show that we are not performing.

Marie Burns: The only thing that I would add is about better intelligence, which is a bit of a mantra at the moment. We need better intelligence on the demand side from employers. We are working with the sector skills councils on that to identify where an intervention is needed. We also need better information on the supply side so that we can better target the interventions that we fund.

Damien Yeates mentioned low-skilled workers. Currently, we have a broad offering, but we need to target it to people who need it most, then we need to consider who is best placed to deliver it. In some cases that will be the trade unions, in others the colleges, and in yet others the employers. We all have a role to play. However, the danger is that we again go down the dead-end road of saying that it is just about funding and qualifications. There are bigger issues that we need to tackle.

The Convener: I think that you misunderstood me, Mr Yeates, if you thought that I was suggesting that all the problems rest simply on whether we, as a nation, will be able to qualify for funding from European social and structural funds in the future. That was not for one minute what I was suggesting. I was expressing the frustrations that have been put to me by those working in the field, who find it difficult to access funding when there is a recognised need for training, particularly for those who are in employment, but who perhaps need access to soft-skills training, which you were so keen to say was fundamental. If your

organisation believes that that training is fundamental for those in low-paid and low-skilled jobs, you need to ensure that those workers can access the training. Certainly, representations have been made to me by those delivering the training, who have concerns, particularly Stow College, which is the largest deliverer of trade union training in the United Kingdom.

Damien Yeates: I welcome your clarification and I would endorse what you say 100 per cent. I go back to the challenge of how we deliver on the training, specifically work-based learning. I have already said that the majority of previous public sector interventions were around labour-market entry and the investment in the workplace. There is a lack of focus on where people who are in work can go to be upskilled and the colleges have a fundamental role to play in addressing that. We must remember that Scotland has 43 colleges.

There are questions to be asked about collaboration between the workplace and colleges and how we can effect a better connection between them. There is £1.8 billion going through the Scottish Further and Higher Education Funding Council, while we have a budget of £176 million. The Government's response to the challenge that the convener pointed out, which I support, would be to say that it is a challenge to the system and not to just one organisation. The question is how we get together the unions, the funding council, the colleges and local community planning partnerships. How do we flex as best we can the resource in the system to deliver against the challenge?

The Convener: One issue for the colleges is that many of them would be willing to develop partnerships, but they need to know that the money is there to deliver the training courses. Colleges will not enter into partnerships if their numbers are capped and they do not have the money to pay for the delivery of services. It is about who takes responsibility and who the leader is in all this.

Damien Yeates: Yes, but I would not buy the funding argument specifically. Too many public service agencies come to the table and ask where the additional money is to do what Government wants them to do. They should be saying, "Listen, we've got a social partnership here. There's no more money in the system. There's a finite resource." The resource that Scotland gets is limited in terms of the funds that come from Westminster, so we must use those as best we can. The question is therefore what we are going to do to work smarter. I do not think that we have had the joined-up approach that people thought existed. I go back to the strategic forum. It is bizarre that, until the recent meeting of the six agencies, national public bodies had never met as

a group to agree a common approach to tackling the problems that are built into the system. The issue is not about piling in more money, but about challenging each other and asking what we will do better and how we will work smarter. We will be going down a slippery slope if each group that comes to the table says, "Listen, I'm not coming here unless you give me a guarantee." That will not happen because there is no money in the system to fund continually on top of what we have. We need to challenge ourselves to deliver a new kind of public service. As the newest agency on the block, we are up for that. We will certainly challenge others to do likewise.

The Convener: We might also discover that a £4 million cut in the overall skills budget in real terms means that just managing to maintain the status quo could be a challenge, never mind being able to deliver additional services.

Margaret Smith: I wish to pick up on the figures of £5 billion to £7 billion that you have quoted a couple of times. Perhaps those figures are out there already—I am relatively new to this portfolio—but it might be useful for the committee if you could tell us in writing later, if not verbally today, where you think the £5 billion to £7 billion actually lies.

Damien Yeates: I will happily come back to you with a briefing on that.

Margaret Smith: That would be useful to help us unlock some of the things that you have been talking about.

Damien Yeates: If we work out the metrics, £1.8 billion has already come through from the Scottish funding council; there are 300,000 small to medium-sized enterprises and we could apportion £5,000 to £10,000 per SME; there are large companies; and there is the public service.

Margaret Smith: My other question is in fact about SMEs. We can say, from anecdotal evidence if nothing else, that there is a lower incidence of training among SMEs—it is harder for them to deliver training activities than it is for larger businesses. I do not wish to ignore what you said about it not being just a question of money, but given the intense economic pressure that companies are under at present, especially small to medium-sized enterprises, how will you work with them? Companies have also undergone structural change because they are meant to be organising themselves in relation to local authorities, rather than enterprise companies. How will you work with SMEs to develop the things that you have been talking about this morning?

Damien Yeates: That is a very good question. The answer lies partly in what Marie Burns said earlier about intelligence and standing. There is also the issue of taking a collegiate approach. We

are currently engaging with key players. That includes engaging with the Alliance of Sector Skills Councils, with the aim of getting clarity around how to respond to specific sectoral challenges. There is a big emphasis on understanding where the enterprise networks are going and how we can connect with them more effectively. We are also engaging with local authorities about making an impact through the small business gateway.

Out of the broad mix of small to medium-sized businesses, about 178,000 are sole traders—that is 178,000 individuals. Everyone here will know about one-man or one-woman businesses, which are phenomenally challenging undertakings. We might have to reflect further on how best to connect to them. Often, we treat them as a kind of corporate entity, when they are in fact consumers. They are time-poor individuals and their investment in training is often driven by legislative requirements. They need to invest in training just to stay in business. Any future investment in training is limited by their time availability. It is almost a chicken-and-egg situation. The business cannot grow without investment to recruit people and reinvestment in staff further on. That is what produces the revenues that will keep the business model working.

The big challenge for us is how to convert the resource of 178,000 sole traders into a bigger economic resource. Nobody has the answers to unlock that resource at the minute, but part of the solution will lie in stopping treating those people as a single corporate entity with the same sorts of needs. Let us take a sectoral approach and pull the appropriate agencies together to determine how to deliver the best possible public service.

I return to the point that pushing services at people is not a clever way to achieve things. If motivation is implicit within individual owner-managed businesses, the outcome will be much more significant. There is an issue around how small businesses value investment in skills.

11:15

I used to run business seminars. If we put on a seminar entitled "50 ways to avoid tax" the hall would be stowed out. If it was "Investment in schools for the future growth of your business", we would struggle. We all understand that that is the reality and it would be wrong for me to say that we have a solution. We have to develop a better understanding of the situation and then direct the scarce public resources in the best way that we can. Fundamentally, the motivation has to come from businesses; they have to take some of the responsibility. That is a big debate that is beginning to emerge. We should compare approaches in the German and Irish economies and then challenge employers—I use that word

advisedly—to be key owners of the economies rather than a group that expects public service continually to support their gains. For example, a large telecoms company in the UK would support perhaps 600 apprenticeships a year and would be critical of public investment. An equivalent company in Germany would support 30,000 apprenticeships without any public subsidy.

We need to awaken a social conscience in employers. It will be difficult, but we need to say, “Listen, we’re all partners in the economy going forward. You have to look beyond your self-interest to your sector’s and your country’s interest.” We should put demands on those larger companies that are able to make such an investment and say, “Listen, come on, guys, think about Scotland’s economy and contribute more.” Hopefully, that would pay back into the smaller businesses that could benefit from that.

Margaret Smith: You said that pushing a service at somebody is not necessarily the best way forward. We have just seen responsibility for services for small and medium-sized enterprises put on to local authorities, whether they liked it or not. Although I accept what you say about the need to look at diversity and to be flexible about skills development throughout the country, you can guarantee that if you put that responsibility into the hands of local authorities around the country, there would be a patchy picture. Some local authorities would probably grasp the opportunity with both hands whereas other councils would probably feel that they did not necessarily want to do it. Do you see that as an area where you have a role in trying to ensure that all those local authorities take on the challenge and give it the kind of support—and economic support—that it requires?

Damien Yeates: You have identified one of the value-added areas that will be fundamental to this business. What is the national perspective that we can give; what is the universal offering that we can make; how do we define, in partnership with the business gateway and the local authorities, a universal offering so that everybody knows that they will get guaranteed support? The issue of local choice emerges. The debate is always about patchiness and choice, local responsiveness compared with your Dulux magnolia paint—does everybody get a dab of that or does somebody get something different? The trick is to try to address the universal nature of the situation. As a national organisation, we should be challenged to offer support, guidance and direction and somehow, between us, to define what that national offering is without dampening local flexibility.

The amount of money that comes into local economies from different areas is increasingly apparent to us. If community planning partnerships

really worked—that is the opportunity that we are all aiming for—we would get much better interconnectedness between, say, health, justice and Department for Work and Pensions money that comes into Glasgow. The total proportion of our budget that we would invest in Glasgow is a pittance compared with DWP money that is parachuted in from Sheffield or Whitehall, often with no recognition of whether it is appropriate to Glasgow’s needs or whether it connects with existing investments there. It is about knitting together all the bits so that the total leverage is significant. I commend you on your foresight; what you described is a big challenge for us and we need to rise to it.

Margaret Smith: I will end on that compliment.

Ken Macintosh (Eastwood) (Lab): Will you break down how your budget of £176 million is spent on staff, overheads, skills programmes and so on?

Linda Ellison: Because so much of what we do is direct delivery, we have allocated salaries across the overall £176.1 million, although I can give you the figures on salaries separately. What we have published is that we spend about £38 million—£37.7 million—on guidance services for the 12 to 19-year-olds; £5.8 million on others in transition; £118 million on skills interventions; and £11.5 million on information and advisory services. On top of that, the corporate services budget is £10.4 million, which includes the overhead salaries, which we do not allocate as direct services, and premises costs.

All that adds up to more than £176 million, but as we earn some income, the figure squares back down. We earn about £8 million from school-college collaboration, European income and the big plus scheme within the former Scottish university for industry partnership.

Damien Yeates: To give a percentage breakdown, the investment in guidance for 12 to 19-year-olds is 18.4 per cent of our total budget; the money for guidance to others in transition is 3.3 per cent; the sum for skills interventions is 67.5 per cent; the amount for information and advisory services is 4.8 per cent; and for corporate services, which is our overhead, it is 5.9 per cent. I can put that in written format for the committee if you want.

Ken Macintosh: The costs are predominantly for staff. Are they employed by Skills Development Scotland, or are they programmes that you buy?

Damien Yeates: The biggest expenditure in our budget is on the national training programmes—get ready for work, skillseekers, modern apprenticeships and training for work. The expenditure on the skills interventions totals about £118 million. The majority of the rest of the funding

is on staff costs. We have about 1,600 staff in the organisation, the vast majority of whom are careers advisers that transferred across from Careers Scotland. Well in excess of 1,200 careers advisers transferred across.

Linda Ellison: The salary costs are about £50 million.

Ken Macintosh: I imagine that many of those costs will be inherited. How have the costs changed so far and how do you envisage the percentages or the costs changing in the next few years. What will go up and what will go down?

Damien Yeates: The budget for 2008-09 is fixed and was handed to us. The 2009-10 indicative budget is in the recent draft budget that was published in September. We are now in the midst of producing our operating plan for 2009-10. We have not given the first draft to the board, so I cannot give exact figures at present. However, we have completed some of the details on our approach going forward, which I have mentioned. We need to organise the business around that approach and apportion the costs accordingly. It would be wrong of me to give you any sense of the detail, because we do not have that at present. However, we hope to have it very soon.

Ken Macintosh: So far, the budget is in effect set entirely by previous organisations that have now come together. You have a new set of priorities. You say that advice and information for 12 to 19-year-olds is a priority. Can we expect the number of staff who came from Careers Scotland to remain the same or perhaps to be expanded, or do you expect the number to be trimmed?

Damien Yeates: We are considering that. There are huge opportunities to redefine and elaborate what we do. For example, we have had early discussions with Jobcentre Plus about the integration of employment and skills services. Again taking a customer-centric approach, we are considering what it feels like for customers who go through Jobcentres and are then punted across the road to a careers office. We are considering why there is a dislocation between the services. Service-level agreements and memorandums of understanding are in place, but we are considering whether they are truly customer-centric and whether there is a seamless flow for customers between the agencies. We might anticipate that a significant number of careers advisers will have their job descriptions enhanced, that they will be upskilled and that we will develop additional services that are delivered directly in partnership with Jobcentre Plus to take a more customer-centric approach.

We talked about the pressures from Government to deliver a guaranteed exit interview for all school kids and contrasted that with priority need and the specific needs of individuals.

Careers Scotland successfully piloted the key workers scheme, which took a much more intensive one-on-one approach that involved personal advisers working with young people in schools. We might grow that cohort, but reduce numbers in other areas.

I cannot give a specific answer, but any answer must be led by consideration of the necessary business model, and the idea that people and resources would be placed behind where they will leverage the greatest impact. I cannot predict exactly how that will work, but it will certainly be different.

Ken Macintosh: You identified that 18.4 per cent of the budget is for careers advice for 12 to 19-year-olds and 67.5 per cent is for schools interventions. Do you think that those percentages will go up or down?

Damien Yeates: I honestly do not know, because we are in the midst of that at the moment.

Ken Macintosh: How much of the budget for the skills programme is spent on modern apprenticeships?

Damien Yeates: Modern apprenticeships are allocated £59 million from the core national training budget. Within the £118 million for schools interventions, £104 million is allocated for national training programmes. That amount is roughly split into the get ready for work programme, which receives just over £23 million; the skillseekers programme, which gets £9.9 million; modern apprenticeships, which get £59.9 million; and the training for work scheme, which gets £10.4 million.

Ken Macintosh: Have you carried out an assessment of modern apprenticeships to find out whether they are delivering on the priorities that you have set?

Damien Yeates: Yes. Extensive background work on that has been undertaken by Cambridge Consultants. Marie Burns is the expert in that area.

Marie Burns: We are currently working on how to take modern apprenticeships forward. The issue with regard to the budget is our liability for existing apprentices. We have an on-going liability for those young people who are already in training, and many of the traditional apprenticeships take four years to achieve.

The consideration of our flexibility in that area as we move into next year will be part of our business planning process. A major evaluation of modern apprenticeships was published a couple of years ago. Questions and issues were raised around revisiting the objectives of modern apprenticeships, and about the added value of some of the sectors in which we deliver modern apprenticeships, where the balance of activity

probably leans more towards assessment of people's existing skills, with very little added learning.

We are not dismissing that—it is important. We have talked about the need to give people accreditation for their existing skills, but we must consider how we will support and fund that, and we need a more sophisticated funding model for modern apprenticeships than the current one.

Another major challenge for us with regard to the current model is that we pay a flat rate regardless of employer size. The SMEs that we talked about earlier get the same contribution for apprentices as a large multinational company. We are currently examining how we fund MAs on an on-going basis.

Ken Macintosh: Do you think that there will be a reduction in the MA budget?

Damien Yeates: I would shift the emphasis away from the budget, and focus instead on what we will leverage against the outcomes that we expect in an MA-type environment. There are principles with regard to MAs to which we all subscribe.

Collaborations between colleges and schools can deliver MA-type interventions without the straitjacket of MAs. We anticipate that we will be able to deliver significantly more of those interventions, some of which do not actually come through our budget line. They come through discussions that we have had with the Scottish funding council, employers, sector skills councils and colleges to direct more of their activity into an MA-like space.

There will not be dramatic changes in modern apprenticeships in the near future because of the costs that would need to be carried forward. If we spend a pound today, we are committing to £4 over the next four years. Whatever we committed to last year will follow through, so it would be wrong to assume that there will be significant movement in that space. Any new movement will be in the value-added areas.

11:30

Ken Macintosh: As a committee, we are examining the budget process, and specifically trying to measure the efficiency—or the efficacy, as you put it earlier—of the budget that is going into that area. It is difficult to do that without knowing exactly where you will spend your money.

We know that your funding will be cut and we want to know where the cut will hit and who will be affected. No one disagrees with your aims to help 12 to 19-year-olds or older workers or with some of the other interventions that you mention, but we are more interested in where the money will go

and where it will not go. You will have to cut £5 million over the next year. Will you cut the modern apprenticeships programme? Will you lose it from careers advice? Where will you make the cut?

Damien Yeates: I will answer that question in two ways. You have the detailed budget for this year, so you know what we are spending this year. We are in the process of preparing our operating plan for next year, so it would be wrong of me to tell you about that in advance. The simple answer at the moment is that I do not know about next year.

A £5 million cut in a total budget of £176 million is not a challenge that is beyond the organisation. I expect that in year 2 the efficiency gains that we hope to generate will ameliorate the impact of the cut. I would also expect significant value-added gains from the joined-up working that we have talked about. The net impact of a £5 million or £6 million cut should not, when balanced against those gains, give you cause for concern, but that is for you to decide.

Ken Macintosh: It might not have an impact, but shifting the organisation's priorities might divert resources away from existing programmes or staff, which might compound any efficiency savings or cuts. I am trying to get a picture, but at the moment I do not have that picture at all. I have an idea of your motivation and your principles, with which I have no difficulty. The stress that you have placed on the importance of partnership working and working with others is fine, but other organisations are in control of their own budgets. You can influence those budgets, but you are in control only of your own. I am trying to find out what you will do with your budget and how that will affect public sector jobs.

Damien Yeates: I cannot tell you exactly now, but I can give you the broad direction. The efficiency gains, the joined-up working and the scale of the reductions that we face are challenges, but we can meet those challenges.

Ken Macintosh: I will have one last stab. Generally, do you think that the number of staff employed in the organisation will contract or expand?

Damien Yeates: At this stage I do not know. We want to ensure that the investment of our budget leverages the best possible impact on the organisation and on the targets and outcomes that we have agreed with Government. The cabinet secretary, Fiona Hyslop, has given a guarantee that there will be no compulsory redundancies.

As we progress towards the operating plan for 2009-10, we will have a better sense of the shifts in resource and emphasis and the impact that those will have. There may be reinvestment and new investment in some areas and perhaps

contraction in other areas, but those changes will reflect our priorities and our understanding of how we think we can deliver the best return possible.

Aileen Campbell (South of Scotland) (SNP): Linda Ellison mentioned the £8 million that you get from other sources. To what extent can SDS enhance its funding in the future? Can you say a bit more about that funding?

Linda Ellison: Much of that funding comes from additional work that the former Careers Scotland part of the business does with local schools. There are contracts between schools and Careers Scotland for additional services. That work is continuing and we are contracting for it, but our discussions with the local authorities and our partners around the table about what is appropriate for their area will have an impact. We will continue to do those contracts, but we must look at where we are going in our new business model and whether those contractual arrangements are adding value in the right way locally.

Damien Yeates: I refer back to our earlier discussion. The Government is saying to local authorities through the single outcome agreements that they have single purpose targets, and they are being freed up to decide how to invest that money, taking account of their local socioeconomic circumstances, sectoral strengths and so on. The £8 million came about by way of some local authorities asking for more key workers and wanting to invest more resources in addressing some of the challenges that they face. Glasgow City Council, for example, needs that investment, whereas it might not be needed in other areas.

On whether Skills Development Scotland can influence the system, we are able to ask local authorities and the funding council if they are investing in the right areas and priorities. The challenge is for us to eke out more of that kind of money. It might not come through us directly, but it will go into the common objectives going forward.

Aileen Campbell: Do you think that, because only one body will be involved, it will be easier to access that funding?

Damien Yeates: Absolutely. There is huge strength in depth. Danny Logue, who is sitting in the public gallery behind me, was head of Careers Scotland and has huge knowledge on the ground of the customer footprint. We have 1,200 people based in local communities, and have a real sense of the partnership working that is going on at a local level, so we can consider how to bring that knowledge to bear on all the different avenues that we talked about before.

Aileen Campbell: The service will be much more localised. Are the local authorities more receptive to that way of working?

Damien Yeates: Yes. It goes back to the question of addressing local choice and the patchwork of universal service. We are trying to describe the business in terms of the dynamic between national and local agendas and how we respond to those. How can we give the universality required of a national service while being locally responsive? How can we be in control of and able to deliver direct resources while brokering in all those other people who have a role to play in taking Scotland where we want it to go?

Therefore, we are challenging ourselves to be even better across the four dimensions. We are going to have to build up our capability to connect with national organisations and invest more heavily in being more locally responsive. We hope to be in the vanguard of having outcome agreements with community planning partnerships in which we will say that our get ready for work money will go into an overall approach to what needs to happen in the regions. That is a different challenge, because we will be giving away while trying to enable and support. So the answer to your question is yes.

Aileen Campbell: The Government's draft budget contains a separate line for individual learning accounts of £11.5 million for 2009-10. SDS's operating plan says that you will

"continue to provide funding support for adult learners through the Individual Learning Accounts."

What part of the ILA budget lies with SDS and how much is an addition to the ILA budget line?

Damien Yeates: The ILA budget line is under review. It might come to SDS.

In practice, SDS is responsible for the front-end marketing of the learner accounts and the connection of individuals to learning opportunities across a network of more than 500 branded learning centres. The back-end processing of the money is done by the Student Awards Agency for Scotland.

Under the current model, the money goes to the Government and is dispensed to us. If, in the future, the budget comes to SDS, which seems to be the indication at the moment, we will then contract with the SAAS to dispense the money. SAAS clearly has an incredible amount of expertise in that area.

Elizabeth Smith: I have a question about the total budget. At the end of the day, the committee has to scrutinise budgets, whether we like it or not. In your answer to Mr Macintosh, you indicated that SDS might have to make efficiency savings, and you seem to be relatively confident that that will be possible between next year and the year after.

Another way of making up that deficit would be for some of the activities that you outlined in your list of how the £176 million is made up to go out to industry or businesses. I want to probe a bit further your point about the £32 million that you quoted for the process of informing youngsters. Could some of that activity be done by businesses and industry?

Damien Yeates: That is an extremely good question. When someone walks in the door of a careers adviser's office, the opportunities are endless—there are huge possibilities. As they progress through a journey of understanding those options and their own capabilities, they narrow in, moving from a general interest in, say, engineering to a more focused interest in electrical engineering and then to a specific strand of that area. At the minute, the same individual accompanies them as they move from the broad possibilities to the specific possibilities. However, there is a huge network of people who influence individuals. Is it credible to believe that the only person who will have a significant influence on that person is the careers adviser? Probably not. They will also be influenced by their parents, their peers, their schoolteachers and so on. Our challenge is to involve that social network in addressing some of the early questions that people have. Investing more in the influencers of choices at that point would ensure that perhaps 20 per cent of our initial investment could be saved.

At the back end, I do not buy for a minute the suggestion that we will be able to deliver in-depth information about, say, the particular features of mechanical engineering as well as people in that industry will be able to. The question for us, therefore, is how we can get industry to communicate its specific needs and give some of that information and advice. That is where an interesting dynamic unfolds. With some of the resource, we could empower businesses to do what they want and parents, teachers and social networks to do what they want, which would mean that we could free our direct resource to be used in much more specific ways.

The answer to your question is yes, it absolutely could.

Elizabeth Smith: Would that broaden the pool of people who you think need to have an input into the forum? Previously, you identified six people.

Damien Yeates: There are two forums that I think are significant. There is the public service facing forum, which is the strategic forum, and the skills utilisation committee, which has significant employer representation. That is the space in which we can begin to find ways of playing employers into the total solution that we want to deliver.

I am in favour of that kind of brokerage role. Often, we layer over what other people do, rather than clearing the space and allowing them to play into it.

Elizabeth Smith: You mentioned earlier that you felt that all the bits of the jigsaw were there but that there was no way of bringing them all together. Would the proposal that we are discussing help in that regard?

Damien Yeates: Absolutely.

Margaret Smith: On how industry can be played into the process, I assume that the same thing applies to professional bodies.

Damien Yeates: Absolutely. The challenge for us is to find out how to connect to the most representative organisations. There are a number of touch points. Clearly, there is the alliance of sector skills councils, which, in legislative terms, has the dominant role in relation to informing us about the future sectoral needs. Beyond that, there are the trade bodies, industry bodies, the chambers of commerce and so on. We have to play to their strengths and play them into the solution.

Marie Burns: A few weeks ago, Janet Lowe, from the skills committee of the Scottish funding council, and I had a meeting with the Confederation of British Industry trade association—in this very room, I think. We had an interesting discussion about how we can work more closely with those organisations as well as with the sector skills councils. We need to make sure that we capture all the different points of view.

The Convener: Your written submission advised us that you were working on outcomes for the organisation. Can you give the committee any more detail about that? That is particularly important if the committee is properly to scrutinise the work that you do and the service that you deliver, particularly given the vagueness about how specific parts of your budget will be spent. When will those outcomes be published, and what will they concentrate on?

Damien Yeates: I will put your question in context before I answer it.

The direction that Government has given us involves the prime goal of sustainable economic growth. There are six purpose targets along with that, and a range of between 15 and 45 national outcome indicators.

We are trying to bridge the gap between the macro nature of those outputs and the quantitative activity measures. We are trying to come up with priority outcome statements and, at the moment, we have five or eight. They are in draft form, and we are in discussion with the Scottish Government

about the nature of the outcomes and with stakeholders about the fitness for purpose of the outcomes. As soon as they are available, I will be more than happy to share them with you. They need to be signed off by Government, following which they will take the form of a guidance letter, which will arrive sometime before next April. I am not quite sure exactly when that will be—that is up to the workings of Government.

We are 88 to 90 per cent along the way towards agreeing those outcomes. They will be the fundamental autopilot of our operating plan for 2009-10 and thereafter.

I do not know what the protocol would be around our submitting the draft outcomes to you as a written statement. I have no problem with doing that but, if we did so, it would be on the understanding that they were draft, and you would have to treat them as such.

The Convener: That might be helpful, if you are in a position to do that. It might give us a little bit of clarity.

Thank you very much for your attendance. I suspend the meeting for a short comfort break.

11:46

Meeting suspended.

11:51

On resuming—

Subordinate Legislation

Adoptions with a Foreign Element (Special Restrictions on Adoptions from Abroad) (Scotland) Regulations 2008 (SSI 2008/303)

Special Restrictions on Adoptions from Cambodia (Scotland) Order 2008 (SSI 2008/304)

Special Restrictions on Adoptions from Guatemala (Scotland) Order 2008 (SSI 2008/305)

The Convener: Agenda item 3 is consideration of three negative Scottish statutory instruments. Do members have any comments or questions on the SSIs?

Mary Mulligan: I tried to see whether my question was answered in the briefing, but I may have missed something. I am not unhappy with the instruments, but I want to ask whether there is an on-going review of the process. If the situation in the countries that the instruments cover changes, will there be an opportunity for the issue to be revisited by the Government at some stage? Indeed, if other countries exhibit similar characteristics, is there a programme to extend the restrictions further?

The Convener: Unfortunately, I am not in a position to answer that question. It might be worth our while writing to the minister to seek clarification.

Mary Mulligan: That is fine.

The Convener: Members have no further comments—I am glad about that, as I would not have been able to answer those either.

No motions to annul the instruments have been lodged. The Subordinate Legislation Committee determined that it did not need to draw the Parliament's attention to any of the instruments. Do members agree that we have no recommendation to make in relation to SSI 2008/303, SSI 2008/304 and SSI 2008/305?

Members indicated agreement.

The Convener: That concludes the public part of today's meeting. The committee's next meeting will be on 8 October.

11:54

Meeting continued in private until 12:20.

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