

EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

Wednesday 29 October 2008

Session 3

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EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE **25th Meeting 2008, Session 3**

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

COMMITTEE MEMBERS

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

COMMITTEE SUBSTITUTES

Ted Brocklebank (Mid Scotland and Fife) (Con)
Bill Kidd (Glasgow) (SNP)
Hugh O'Donnell (Central Scotland) (LD)
Cathy Peattie (Falkirk East) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

Fiona Hyslop MSP (Cabinet Secretary for Education and Lifelong Learning)
Chris Martin (Ipsos MORI Scotland)
Lorraine Murray (Ipsos MORI Scotland)
Andrew Scott (Scottish Government)
Sarah Smith (Scottish Government)

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 29 October 2008

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

Decisions on Taking Business in Private

The Convener (Karen Whitefield): Good morning. I welcome everyone to the 25th meeting of the Education, Lifelong Learning and Culture Committee in 2008. I remind those present that mobile phones and BlackBerrys should be switched off for the duration of the meeting.

The first agenda item is a decision on whether to consider in private item 5, which is about witnesses who should give evidence on the statutory instrument on school meals. Is the committee content to take item 5 in private?

Members *indicated agreement.*

The Convener: The second item is also a decision on taking business in private, and relates to consideration of our draft budget report to the Finance Committee. Is the committee content to take that in private, too?

Members *indicated agreement.*

Budget Process 2009-10

09:31

The Convener: Item 3 is the most substantive item of the morning. I am pleased to welcome Fiona Hyslop, the Cabinet Secretary for Education and Lifelong Learning. The committee will take evidence on the Scottish Government's budget for education and lifelong learning.

Ms Hyslop is joined by Sarah Smith, the director of children, young people and social care. I welcome her and apologise for her position around the table: this is not the best room for a large panel of witnesses. Ms Hyslop is also joined by Andrew Scott, the director of lifelong learning, and Colin MacLean, director of schools. I thank them all for attending the committee.

Cabinet secretary, I hand over to you to make some opening remarks.

The Cabinet Secretary for Education and Lifelong Learning (Fiona Hyslop): I welcome the opportunity to talk the committee through our spending plans in the education and lifelong learning portfolio.

In the current economic climate, we are all particularly conscious of the need to drive best value through our spending. All cabinet secretaries are reviewing our policy programmes to deal with the changed economic climate and will continue to do so in the light of emerging events. The Scottish Government has to wrestle within a fixed budget with significant increases in fuel and import prices but without consequent increases in the budget, which makes a clear case for further financial powers for the Parliament.

Spend in the ELL portfolio represents investment in a people-based system that enables us to build future competitiveness through skills development and utilisation. In managing our budget over the past year and in looking ahead, we have been and are focused on measures that will help to bring a more rapid end to the downturn and prepare Scotland for any future upswing. We are therefore spending in order to stimulate the economy, to develop capacity for the future, to build Scotland's competitive edge and to inject confidence into the economy.

On the detail of the 2009-10 draft budget, it may help if I begin by briefly highlighting the changes that have been made in moving resources between budget lines since our draft plans were published in last year's spending review.

In schools, we are making a baseline transfer of £500,000 per annum to the First Minister's portfolio for Gaelic funding in respect of Sabhal Mòr Ostaig, which will enable Scottish

Government spend on Gaelic to be managed from a single budget line. In children, young people and social care, we are transferring £700,000 of the research budget to our education analytical services budget, which will bring budgets in line with last year's organisational restructuring.

In further and higher education funding, as the committee will know, we are making a transfer of £20 million from the Scottish Further and Higher Education Funding Council to the health and wellbeing portfolio—to be repaid in 2010-11—to contribute to the welcome acceleration of the affordable housing investment programme, which is one of the measures that the Scottish Government has taken in recent months to strengthen the Scottish economy. We are also transferring £7 million to the Scottish funding council from the environment directorate to fund the Scottish Agricultural College, following the college's addition as a fundable body from 1 August 2008.

In other lifelong learning areas, we are creating the budget for Skills Development Scotland, which is £176.6 million in 2009-10, by merging budgets from various sources. That information is detailed on page 60 of the draft budget document. We are moving £1.7 million from lifelong learning budgets to the office of the chief scientific adviser to reflect the change in the Scottish Government's administration of the funding for the Royal Society of Edinburgh research fellowships. In the 2009-10 research budget we are transferring £1.3 million from "other lifelong learning" to the office of the chief economic adviser, in the First Minister's portfolio, and to information and analytical services in the children, young people and social care directorate.

We have made substantial progress in the ELL portfolio in the past year. We established Skills Development Scotland, which is taking forward the skills agenda with a more tailored approach to business and sectoral needs. We continue to work alongside local authorities, teachers, parents and young people to develop the curriculum for excellence and to consult on new national qualifications. We are publishing a joint policy statement, which will soon be followed up by a national framework on the early years.

Early intervention will be a hallmark of the Government's approach to policy. We and the sector are articulating a joint vision of how Scotland's universities and Government will work together in the decade ahead and beyond, to the benefit of the Scottish economy. Those measures and others are supported by the budget and will make an important contribution to achieving the Government's purpose of sustainable economic growth and its targets, in particular on participation and cohesion.

Many of our key ELL policies will be delivered in partnership with local government. The joint concordat between the Government and the Convention of Scottish Local Authorities saw an uplift of 13.1 per cent in local government budgets. That included a significant roll-up of separate ring-fenced grants, with a consequential reduction in bureaucracy and regulation and an increase in local flexibility, and £115 million extra capital expenditure every year. In the current climate it is important that money is available, in particular to local Government, for capital construction.

Parliamentary scrutiny of Government spending is important and welcome. In discussing the detail of the draft budget I will try to address members' questions fully. If appropriate, I will provide additional written information.

The Convener: Thank you. There was a great deal of detail in your opening remarks, which I am sure members want to follow up.

You rightly acknowledged that these are difficult times in which to manage accounts, whether they are Scottish citizens' household accounts or the Government's budget. Can you assure the committee that the 2 per cent efficiency savings to which the Government is committed will come from a reduction in bureaucracy and back-office functions and not from a cut in front-line services?

Fiona Hyslop: Yes. That is exactly the point of the efficiency savings—they come from bureaucracy and improving efficiency, not front-line services. Provisions for organisations have allowed for that. In particular, we must ensure that there are sufficient teachers in the system. The concordat makes it clear that teacher numbers are to be maintained at August 2007 levels. Provision has been made in such a way that efficiency savings from other budgets can be maintained, so we expect such savings to continue.

In other areas, not least in the context of Skills Development Scotland, into which more than half the staff of Scottish Enterprise were transferred, we have made it clear that there will be no compulsory redundancies, unlike the Westminster Government, which wants 3 per cent efficiencies and has not guaranteed that there will be no compulsory redundancies. The climate in Scotland is different and it is important that we support staff where we can.

The Convener: The Government might well be committed to making efficiency savings by reducing bureaucracy and back-office functions, but school budgets are already facing cuts. How can we and your Administration be confident that in higher and further education, for example, efficiency savings will categorically not be made by cutting front-line services?

Fiona Hyslop: Colleges and universities are by law autonomous institutions with responsibility for their budgets, as the committee well knows. Of course we do not want to affect institutions' charitable status by ministerial direction, and I am prevented from doing so by law.

Local authority education budgets have increased. For example, Gordon Matheson, Glasgow City Council's executive member for education and social renewal, who has responsibility for deploying the education budget, has indicated that the budget increased in Glasgow. We know that the budget for Fife has increased by 10 per cent. We know that education budgets across the country have increased. How to deploy them is up to individual local authorities.

As for my responsibility for the budget for 2009-10, we have made it clear that a number of budget lines were transferred into local government, including those for young people, early years and schools. As has been indicated, there has been record funding for local government. The increase of 13.1 per cent shows that the Government has put in sufficient resources and has transferred a large part of the national Government's budget to spend in local government. Those funds are available to spend, and increases are being made in spend across the country.

Although the education and children's services budgets have increased, there might be issues around how effectively they have been used in some councils. However, that is not my responsibility; it is the responsibility of the democratically accountable local councils.

The Convener: So the Government has no control over whether the 2 per cent efficiency savings will result in cuts to front-line services.

Fiona Hyslop: Mr Swinney, the Cabinet Secretary for Finance and Sustainable Growth, has indicated that he expects the savings to come from efficiencies in bureaucracy, regulation and so on, with the aim of ensuring best value for local government. It has been suggested within the Parliament that the figure of 2 per cent efficiency savings that the Scottish Government is asking organisations to deliver is too low. I know that members of your party, convener, thought that the figure should be even higher, nearer the 3 per cent that the Westminster Government has asked for.

We must recognise the importance of public sector workers in the provision of services. Stability for them is very important at this time. I feel more comfortable with the Scottish Government's 2 per cent efficiency savings with no compulsory redundancies than with the alternative, which was 3 per cent efficiency savings with no guarantee of avoiding compulsory redundancies. Most people would be more

satisfied with our Government's provision. You might wish to raise that point with the Finance Committee. I understand that the decisions on and the responsibility for the 2 per cent efficiency savings, as well as the instructions on how they are to be deployed, formed part of the correspondence that was exchanged between Mr Swinney and the various organisations involved.

The Convener: In your response to some organisations, you touched on the children, young people and social care budgets. You indicated that some money has been moved around in relation to the safer children, stronger families line, which shows a cut. How much money in that budget line, if any, has been saved through better value for money? Has the sum of £0.7 million simply been moved to the research part of the budget?

Fiona Hyslop: The internal bureaucracy of the civil service has been challenged as much as any other area. All departments have been asked to consider internal savings—within the operation of Government as opposed to in the services that are provided. There was not a cut in the children's services budget but a transfer from national Government and the portfolio that I hold to local government budgets. If you consider the local government provision, you will note a healthy increase. Much of that relates to early years work, which I referred to before. We have worked jointly with COSLA on producing the early years framework, which we hope to bring to Parliament soon, once it has gone through the current process.

The anti-poverty framework has also been worked on jointly with COSLA, and it, too, has an early intervention impact that will affect children. Health inequalities is a huge area for us to tackle, and early intervention and support for young families with children in the early years will form a huge part of tackling those inequalities.

Those three major Government frameworks will affect social services in councils and health budgets. The single outcome agreements that are being prepared for next year will ensure that the budgets are co-ordinated as well as they can be. All community planning partnerships will be involved in developing them, and they represent a great opportunity to bring together health, police and social services on early intervention and the early years agenda.

09:45

I am completely confident that the operation and deployment of the social services budget for early years is best administered at the local level, in the spirit of our new relationship with local government. If anything, there will be a step change and an expansion in the momentum of

activity in early years, taking into account my responsibility not just for the early years framework but for health inequalities and anti-poverty work.

Some of the best-value work will involve co-ordinating far more activity among the areas of health, police, social services and early years. Better value will be achieved, and services should be front facing.

Committee members have taken an interest in the getting it right for every child agenda, on which we had a parliamentary debate recently. To deliver that focus, with a top-down approach and with child-centred, individualised service provision, the budgets have to be administered at as local a level as possible.

Claire Baker (Mid Scotland and Fife) (Lab): I will move on to questions on higher education, but first I will pick up on one of your comments about schools budgets. You said that Fife Council has made a 10 per cent increase in its education budget. As I understand it, that increase is specifically for equipment and books, and the majority of Fife high schools are actually receiving a £100,000 reduction. Also, there has been a cut in truancy officer provision, which has been cut in half. You say that there has been a 10 per cent increase in the Fife Council education budget, so can you give us more detail to justify that?

Fiona Hyslop: It is for Fife Council to give the detail; I am simply saying that there has been an increase in the budget, with a very welcome increase in the number of primary school teachers. There are 27 additional primary school teachers to help reduce class sizes from this year, which is a healthy increase. Glasgow is another example, as I said. I think that Glasgow City Council has increased its education and social services budget for children and young people. You may wish to pursue whether that has had an impact, and whether or not there has been an increase in the number of teachers. That has been the case in different parts of the country. South Lanarkshire is a good example, where efficiency savings from elsewhere in the budget have been used to recruit primary school teachers to help reduce class sizes. Councils are accountable to their local communities, and there are some practical increases in different areas.

Claire Baker: I accept that there have been increases in some areas in Fife education, but there are debates around whether there have been cuts. It is not helpful for the cabinet secretary to suggest that there has been a 10 per cent increase in Fife's budgets when that is not what has been reflected.

Fiona Hyslop: Convener, I am not sure that, during a budget inquiry, we should replay election issues that are happening elsewhere.

Claire Baker: It was the cabinet secretary who raised the example of Fife Council and the 10 per cent increase.

Fiona Hyslop: I was asked by the convener whether budgets were increasing, and I had to give examples. I gave two examples: Glasgow, a Labour-controlled council, and Fife, an SNP and Liberal Democrat-controlled council. I can have a quick look at the position in South Ayrshire, if you want me to give you a party-political balance.

Claire Baker: Thank you for that. I will move on to higher education. Universities Scotland gave us evidence on the higher education budget. You have already acknowledged the impact of inflation on the budgets that universities will have to manage with. Universities Scotland identified that it will be dealing with a £40 million reduction in the universities budget, which I accept is due to the impact of inflation. Last year, the cabinet secretary managed to find some end-year flexibility, and some additional money went to universities, following their initially poor settlement. Can the cabinet secretary reassure us and indicate how she will try to assist universities in meeting the projected shortfall?

Fiona Hyslop: Claire Baker identifies an important difficulty for many parts of the Scottish economy. Universities, councils and other organisations are facing increased costs, including inflation and energy costs. Their budgets are fixed, and the problem is that the Parliament, too, has a fixed budget. That is one of the difficulties with the financial situation and the powers of the Scottish Parliament. However, we anticipated difficulties for universities in the final year of the pay arrangements that they agreed to some time ago, which is why we provided an additional £20 million last year. That spread into this financial year to help with some of those pressures.

The share of Government spend is increasing marginally. Last year, universities received an additional £130 million of capital and revenue—the revenue funding was provided to address the issues that you raise. It would not be wise or reasonable of me to say what could happen with end-year flexibility, when it is only October, going into November. It is unreasonable to expect me to give you assurances for universities or other sectors about what might happen with end-year flexibility.

We have been sensitive to what has happened in the past. Our contribution was welcomed not just by university principals but by unions, which recognised the pressures in the final year of the pay deal. The Scottish Further and Higher

Education Funding Council, from which the committee has taken evidence, is monitoring the situation carefully to indicate what is required.

Universities have the option to defer payment of the increase in the final year of the pay deal, but no universities have said that they will do that, so we are confident that they will be able to apply the pay salary increase for the final year. We and the funding council will keep a close eye on what is happening, but we should remember that universities are independent autonomous institutions. It is not for the Government to interfere in their internal staffing arrangements.

Claire Baker: I will ask about the international competitiveness of Scottish universities. Student top-up fees in England provide greater resources there. The concern is that if the cap on those fees is removed, it will put Scottish universities at an increasing financial disadvantage. In the international league tables that were published in recent weeks, some of our big institutions slipped slightly, although I do not know whether that will be significant in the long term. Does the budget support Scottish universities sufficiently to address the concerns about international competitiveness? How will the cabinet secretary address that in the future?

Fiona Hyslop: I understand that the latest international league table surveys were about student experience—how students experience their lives, which concerns welfare as well as the standard of teaching—so I am cautious about casting aspersions on universities' competitiveness, but I am more than happy to come back to you if that is not the case.

On top-up fees, I agree with Universities Scotland that the current settlement enables universities to continue to be competitive with their counterparts in England. You raise the issue, which we all recognise, that if the cap is lifted, the future will be a challenge. That is why the "New Horizons" report is being produced. The interim report has been published and we are completing the final report, which will take the competitiveness argument forward. The report makes suggestions to ensure closer alignment between the work of universities and the Government's economic purpose of sustainable growth, which is more critical now than it was when we drafted the interim report. We need to move swiftly on that. People were surprised that we might try to act on that in the next financial year. Ensuring better alignment is increasingly important, so we will certainly act.

The fundamental question is, what will happen down south? If that is an important aspect for the committee to pursue, it might want to take evidence from a United Kingdom minister. I cannot second-guess any plans. All that I know is that the

word "if" still applies. The fees review will not take place until 2009-10, so any changes will occur in the next spending review period and will not affect the 2009-10 budget that we are considering today.

I have raised a more fundamental question, because we are now in a different financial situation with the UK Government. I always said that the danger with top-up fees was around whether the Treasury would be able to maintain the additional loans that would have to be taken out to cover the universities' spend. Clearly, the income from any increase in top-up fees would not come in until after people graduated, so there would be a delay. Basically, if the cap was removed from top-up fees, the UK Treasury would have to provide the funding for universities up front. I warned of that strain six months ago, before the current financial situation arose, and the principal of the University of Edinburgh, Professor Tim O'Shea, also questioned whether the Treasury would agree to that. The fact that we are now in a different borrowing situation with the UK Treasury puts a different complexion on the matter. I cannot second-guess what policy decisions Westminster ministers will take, but the committee might want to pursue the issue with the UK Government.

Claire Baker: You concentrated on Scottish universities' competitiveness within the UK, but Universities Scotland has also raised the issue of international competitiveness. A report by the Organisation for Economic Co-operation and Development refers to the percentage of gross domestic product that is spent on higher education, and Scotland does not rate too well in the league tables. How will the budget help to increase the percentage of Scotland's GDP that is spent on higher education? Is the budget a step in the right direction in trying to improve that?

Fiona Hyslop: There is an increase in the higher education budget this year, which is obviously an improvement, but you are right to raise the issue of international competitiveness.

What you do with the budget that you have is important. That is why I come back to the knowledge transfer budget in particular, which helps to align the Scottish economy and the universities' work more closely. In the output from the "New Horizons" report, I think that you will see a better alignment, both in the top-level, blue-skies research, which is important, and in applied research that can be transferred. Such research is becoming increasingly important, not just for universities but for colleges. There is a great role for colleges in knowledge transfer and investment in research, particularly with small and medium-sized enterprises. The application of the current budget can make a big difference. I hope that you will see improvements as a result of the work that

we have done with the universities in the past six months, which will allow us to become more competitive.

In addition, research pooling has been remarkably successful. I acknowledge that it was initiated under the previous Government, but we are keen to support it. Indeed, we have supported the work and improved it. One thing that attracts world-class researchers is capital investment, which is why the increase in capital spend that we have given the universities is important. We will see the impact of that on research facilities. Recently, however, something else has proved to be successful in attracting world-class researchers to Scotland—the opportunity to work with other world-class researchers, not just in their own university but in other universities, as part of the research pooling exercise. That is an important element of ensuring that we are competitive.

Other countries do not have that extra competitive edge. As cabinet secretary, I have met a number of education ministers and people from universities elsewhere in Europe, and they are astounded by the work that we do, because in other countries universities often compete with each other. In pressing economic times and constrained circumstances, we have to consider how we can be competitive, and the collaboration that can take place between academics, between universities, and increasingly between colleges and universities, will give us that competitive edge. That policy direction underpins our budget.

You are right to ask the question. I gave quite a long answer, but I hope that it conveys my enthusiasm for the area of work, which can help us through difficult times.

Claire Baker: I have a further question, for clarification. You mentioned the joint future thinking task force report “New Horizons”, but I am not sure that I understood what you said. When do you expect the report to be implemented in relation to the budget?

Fiona Hyslop: The report is being finalised and we hope to publish it by the end of the year. I know that the Scottish funding council is keen to see what can be done for the next financial year—for provision from 2009-10. That will have an impact on the budget area that the committee is considering. The issue is dealt with in the budget that is in front of you. You are obviously holding me to account and examining what we as a Government are giving to the funding council. We want to move swiftly to ensure that there is a sharper focus on how universities and colleges can support economic activity, and they are pleased to have that focus. It is important to recognise that it is not just the Government that is asking them to do that work: there is a joint

approach with a joint recognition that it is important that there is better alignment.

10:00

Claire Baker: Would that include the shift towards a general fund and a horizon fund? Would you expect that to have an impact on the budget for 2009-10?

Fiona Hyslop: We can discuss the amount of money that we are giving to the funding council generally. How it operates with that money is part of the discussion. I cannot give you a definitive answer at this stage. It would be unfair and disrespectful to the other members of the task force for me to do so, because I have not signed off the final report as joint chair. I hope that you can appreciate that fact.

Claire Baker: But you expect the report to start to be implemented under this budget.

Fiona Hyslop: Should agreement be reached, yes.

The Convener: I am sure that the committee will come back to that issue once the report is published.

Aileen Campbell (South of Scotland) (SNP): I have a brief supplementary question on a line that Claire Baker asked about, which is our position in the league tables.

We all know that Scottish institutions work on a global platform. Participation in universities often relates to poverty, and many of the OECD countries that are performing better have lower levels of poverty. Will you comment on the Scottish Government's ability to address poverty? I know that some of the relevant powers are not controlled by the Scottish Government, but will you comment on your plans to raise ambition and aspiration for Scotland's children so that they see university as a good option? Children often do not take that view purely because of their background.

Fiona Hyslop: It is important that we maximise the potential of, and opportunities for, all our young people, especially when we have a growing elderly population. Some of the work on that will be in universities and some will be on vocational training, so it is important to achieve parity of esteem, which is another issue that I am pursuing. The participation rates for people from more deprived areas are not as high as they should be, so we must address that.

I was pleased to see that, for the first time in several years, there has been an increase in the number of acceptances for university, which indicates an improvement. I like to think that one reason why is that the threat of debt and the graduate endowment fee have been removed. We

will see whether that is the case as time goes forward, but that was a helpful move.

We want to remove the fear of debt, but another point to recognise is that not all students are young people: they are increasingly family people in their 30s. One important move that we have already made—£12 million or £13 million is in the budget for this—is to help part-time students by removing the barrier of loans for people in part-time work who earn less than £18,000. For a working person earning £18,000 who wants to improve his or her opportunities by upskilling, retraining and going into another area of work, a £500 loan can be enough of a barrier to stop them going into higher education. The fact that we have replaced the loan with a grant is benefiting up to 20,000 part-time learners in low-income jobs.

Such changes can become increasingly important in helping people to move into different areas of work. We are in a difficult economic situation, and we might want people to move within the labour market to create space and opportunities for those who have been displaced by job losses elsewhere. Our intervention could prove to be helpful in the current circumstances.

Aileen Campbell is right to identify poverty as a barrier and a problem for participation rates. We are trying to address that as a Government, and will continue to do so. We think that the removal of the graduate endowment fee will be a particular benefit, although we will in the future have to examine the figures to determine whether that is the case.

Elizabeth Smith (Mid Scotland and Fife) (Con): When we took evidence on 24 September from Professor Muscatelli, he commented specifically on the need not only to widen access in the higher education system but to secure a qualitative improvement in the graduates that we are producing, particularly in subjects such as biotechnology and electronics. We are trying not only to increase the number of people who can gain access to higher education, but to improve people's skills—the Government is fairly ambitious in that regard—against a backdrop of an economic downturn, rising costs and pensions problems for the universities.

Professor Muscatelli pointed out that we are not spending as high a proportion of our gross domestic product on higher education as other countries are. He said that the proportion of the budget for higher education in Scotland was 3.63 per cent when the Parliament was established, but that it is now 3.1 per cent. Would the Government prefer to achieve greater numbers of people gaining access to higher education or a qualitative improvement in the type of graduate that we produce? What is your priority?

Fiona Hyslop: On the percentage of gross domestic product that is spent on higher education, we should acknowledge what happened under the Conservative Government pre-1997. This Government has increased the percentage from the rate that applied during the past four years, although I acknowledge that we must change that percentage and shift the direction of travel, as is starting to happen.

I accept absolutely the point about employability: we must ensure that our graduates have the skills to equip them for the challenges that lie ahead. You know that I am passionate about ensuring that enough science students are coming through, which is one of the reasons why we must start with primary schools, long before people reach university stage. There is a particular opportunity in relation to postgraduate science, which was identified in the interim report of the joint future thinking task force on universities, "New Horizons: responding to the challenges of the 21st century". If science is to be an area of development, part of the challenge is to consider what the balance between postgraduate and undergraduate numbers should be and how that balance could be achieved. The committee might want to explore that. Postgraduate study in sciences is a strong area that we need to consider, and I think that we will come back to the issue when the task force's final report is published.

The universities have a strong view on student numbers. In the interim "New Horizons" report there is, for the most part, agreement about the direction of travel, but the authors set out the challenges to the sector from Government and issued their own challenges to Government on areas that we need to drill into, including a specific challenge about the participation rate.

In the future, the Scottish economy's competitiveness will be driven to a great extent by our education system. We are keen to strike a better balance in respect of the opportunities that suit young people's needs, whether those opportunities are delivered by colleges or by universities. In general, countries that have more graduates in the population have tended to perform better and more competitively.

We are in changed economic times and we need to consider the implications of the current situation, but I suspect that it remains the case that it is about the knowledge economy and life sciences, as Elizabeth Smith said. There is a big challenge to ensure that we continue to invest in areas in which there might not be immediate economic benefits. We must plan for sustainable growth, and I would not want investment in life sciences to be questioned. Renewables present another great opportunity for us, so we must ensure that we secure a competitive advantage

and steer investment in that direction. I think that Elizabeth Smith was talking about a combination of those two areas—we cannot say that one of them will provide the definitive solution.

As we plan for the next period, we must be astute about what we do, the order in which we do it and when we do it in the short and medium terms. I spoke to the full meeting of the Scottish Further and Higher Education Funding Council about a month ago and asked it to give its views on how we can better align its work through universities and colleges with the challenges that we face.

Elizabeth Smith: No one doubts that there are huge challenges. The situation is not easy for Government or for universities and colleges. It all comes down to availability of money and opportunity costs. It will be extremely difficult to widen access as extensively as the Government has described, and to ensure that we are producing a knowledge economy and that we have the right skills for the future, particularly against the current economic background, which is, sadly, likely to continue for some time.

Will you confirm whether the joint working group with the universities has discussed the possibility of raising additional money? Top-up fees are part of the equation. Obviously, the abolition of the graduate endowment fee has reduced the scope for some of the income base. I think you have said before on the record that you see opportunities for universities to sell goods and services to the business community, which might raise extra cash. Have you discussed that in the working group?

Fiona Hyslop: Investment and relationships with business are critical. We have talked about life sciences and renewable energy—relationships in those fields are still developing. I was delighted to hear earlier this month that the University of Dundee's life sciences institute, which the Government is supporting—there is funding for it in this year's budget—has opened and is operational. We want to invest in such areas.

Choice is an issue. It is important to say that the graduate endowment fee did not raise a penny for the universities—all the money went into loans. In fact, its abolition has impacted on the loan figures. There is reduced income for loans.

Elizabeth Smith: There is an impact on the opportunity cost for Scottish and English universities.

Fiona Hyslop: There is not, if the money applied only to loans. There has been no appetite for paying fees in Scotland, and we do not want fees. You may be aware that there is a debate down south on whether the universities want to cut numbers. That is an issue for people there, so I

hope to speak to UK ministers soon to find out their current thinking. Cutting student numbers might be proposed down south, but I do not think that cutting student numbers here would benefit the Scottish economy, and the matter is not currently on our agenda. The questions are whether the current number of students is suitable and whether any increase that the universities request would be sustainable in the future. Participation rates and widening access are not the same thing. Widening access to education allows opportunities for people from more deprived areas whose poverty might hold them back. We should make improvements in that respect, because we will miss out on talent if we do not.

On the number of students, the lesson from the past is that the economic outlook of a country is helped by higher participation rates in university education. I am not saying that that lesson does not still hold—I hope that it does—but we should consider the economic analysis in a different light now.

Another recommendation in the interim "New Horizons" report, which may be agreed in the final report, is that there should be tripartite agreement about strategic matters in the short, medium and long terms. That is increasingly important. On-going discussions can take place. To be fair, when the original report was drafted, we were not in the economic situation that we are now in and there were participation rates that universities aspired to. We recognised that such participation rates can help the economy, but no firm decisions were taken at that time.

Elizabeth Smith: Costs are rising faster than revenue income in the higher education sector. That is an even more important issue. The Government is ambitious—perhaps rightly so—about what should be achieved in that sector, but it will be difficult with a very limited budget in a very tight economic environment to achieve such things. Are you confident that your budget will do as much as can possibly be done to ensure that serious progress is made with the quality of education that is delivered in the higher education sector?

Fiona Hyslop: Yes. The additional capital will help the facilities and research. One important aspect is that it will help international students, who will have more attractive facilities in which to operate. That is also an income stream; it is not the be-all and end-all, but it is helpful.

I stress that in looking forward I cannot direct universities, although more flexibility and freedom can be provided for them to make decisions. The best reaction to the current circumstances will differ from institution to institution, but at least we now have a forum in which there can be immediate discussions involving the university

principals, Universities Scotland, the funding council and us. Such a forum did not previously exist. We now have the mechanisms to make such discussions happen, but I cannot tell the committee now—I am prevented from doing so by law—that I will direct universities in such areas. I think you are asking whether we should be adjusting.

10:15

Elizabeth Smith: You have put on the record that you want to ensure that the Government, business and the universities work more closely together to set objectives. The Government is specific about setting national objectives, which raises questions about how independent the universities can be in their planning. Are your draft budget figures acceptable within that? Has it come up in your discussions and has business been consulted about it?

Fiona Hyslop: Yes, the figures are acceptable. The Council of Economic Advisers was certainly consulted. At the previous national economic forum, which was in September or October, we had workshops on skills utilisation and how different sectors can respond. The universities were one of those sectors, and we had input from business at that forum. We have also actively engaged with the ITI Life Sciences advisory board.

In policy terms, we are interacting far better and more closely with business. The universities already work extremely successfully with businesses. I come back to gross domestic product. One of the country's biggest issues has been the level of business investment in research and development, never mind Government provision. One of our biggest challenges, especially now, is to improve business investment in research and development. If we can combine skills utilisation and the advice that is available from universities and colleges to businesses in order to advance research and development, that will provide one way out of the current economic situation.

I cannot give instant answers, but we are setting up the mechanisms to allow better and closer alignment. I am treading a fine line between what the Government can dictate in the budget or through policy, and institutions' independence and autonomy, which they are passionate about defending. We are, on both sides, now able to have a far more informed dialogue as we work towards a common purpose.

Elizabeth Smith: When the report comes out—you said, I think, in late December—will there be some indication that the working party is discussing the matter and that creating extra

sources of revenue is considered to be crucial to future budgets for universities?

Fiona Hyslop: The report will be published this year, although I cannot give the exact time.

This is all about growing the sector and the cake, which is not only about what additional resources national Government provides, but about how we achieve sustainable growth. That is one of the purposes of the report. We must all work together, because we cannot expect all the funding for everything to come from the public purse.

Christina McKelvie (Central Scotland) (SNP): I will pick up on the point about which Elizabeth Smith asked you and with which you finished off. We have heard a lot this morning about the impact that the current economic situation could have on jobs and on research and development throughout Scotland. How would the Office of Gas and Electricity Markets money that is sitting at Westminster, but which cannot be used in Scotland, benefit jobs within the university sector, the quality of students, the quality of placements with employers and the consequential research and development?

Fiona Hyslop: My colleagues with responsibility for energy will be able to identify some of the opportunities that the Ofgem money could provide in renewables. Sustainable development is critical, and Scotland's opportunities for research and development in it are big. Before the economic downturn, there was already an accelerated impetus among different institutions that operate in the area. The opportunity to skill people and ensure that businesses have research and development opportunities in that field is huge.

I visited Crichton campus in July and found a new vigour there, partly because the University of Glasgow is now maintaining its presence at the campus—we are pleased that we contributed to that decision last year. I found it striking that Crichton campus is operating as a consort of a regional learning system with the schools, the council, Dumfries and Galloway College and, in particular, the University of the West of Scotland. They are considering sustainable development in every aspect of their learning provision in schools, colleges and universities. I suppose it is a visionary thing. Similarly, when those of us of a certain age went into higher education or college education in the past, we all automatically had to learn information technology skills, regardless of our subject. The vision of sustainable development making Dumfries and Galloway the powerhouse of a green economy is a good aspiration. It is early days, but we can do it if we think creatively.

Clearly, the Ofgem money is sitting there, and it can and should be used. It could certainly help in

tackling some of the pressures and it could be used creatively for research and development to the benefit of the economy. If any of the money could be used for university research, that would be welcome. That is the sort of practical thing that could be done. It would not take money away from anybody, and would allow the Scottish economy to start providing opportunities to diversify.

The Convener: A number of members still want to get in. I remind members that we are here to talk about the budget and not about what we might like to have—I am sure we would all have suggestions in that regard.

Claire Baker: I want to turn to the issue that Liz Smith spoke about of additional sources of investment coming into universities. The joint future thinking task force on universities proposes to introduce matched funding for philanthropic giving, which already exists in England and Wales. I appreciate that the task force's final report has not yet been published, so I do not know whether the cabinet secretary can say today whether the proposal for matched funding for donations given to Scottish universities will be implemented. If the cabinet secretary can confirm that that policy will be implemented, will it be covered in the current budget? Is money available to provide matched funding?

Fiona Hyslop: I want to say two things. I know that you want to draw me on what is in the joint future thinking task force's final report, but I must be fair to other members of the task force, so it would not be respectful of me to pre-release the contents of the report. I am constrained in that.

The question is whether the money would come from existing budgets. The committee has the budgets and can see that a large amount goes to the funding council. Obviously, what could be provided is an issue for the funding council. I am sympathetic to the matched funding policy, but there is an important caveat to that. For understandable reasons, some universities are far better at generating philanthropic support than others. One of the important things to remember about the higher education sector in Scotland is that it is heterogeneous: different universities have different experiences. I would not want public money to be used to the disadvantage of universities that do not have access to the philanthropic funding to which others have access. That is the argument against matched funding.

There is something in the policy, if it can generate additional resources, so I would certainly be prepared to consider it, although I caution against overenthusiasm. Some universities would be disadvantaged in that we would be skewing investment to universities that are perhaps already well funded privately. There is quite a difference in funding between universities: income from the

public sector for some universities is only about 30 per cent, whereas it is about 70 per cent for others. Clearly it would, when there is such disparity, be unwise to take a blanket approach to matched funding. I am open to examining the policy, but I will not give a definitive agreement that it is something that we will pursue.

Claire Baker: I agree that there needs to be a debate. I understand that there is a cap in England and Wales on the amount that the Government will match. There are areas there that could be explored.

I would like clarification on a couple of points in the budget document. In the fees, grants and bursaries budget, there is a reduction in the 2009-10 draft budget. Can you give me some background or clarification on that?

Fiona Hyslop: A lot of that is about demand—the reduction is a response to that. That is the main argument.

Claire Baker: Does it suggest that a reduction in the number of students—or a change in the type of students—is expected in that year?

Fiona Hyslop: No. As I said, we have the figures and there has been an upturn. We are improving some of the support levels, so there is quite a lot of activity within that budget line. I will ask Andrew Scott to explain some of the changes.

Andrew Scott (Scottish Government Lifelong Learning Directorate): The changes are quite small, relative to the baseline as a whole. The budget was £281 million in 2008-09; it will be £279 million in 2009-10 and it will go up to £305 million in 2010-11. Everything depends on our precise estimates of demand, changes in the throughput of students and changes at the margins of the schemes. All those changes are quite small—there is no one big factor or substantial policy change that accounts for the variations. I am happy to write to the committee to explain further.

Claire Baker: Thank you. That would be helpful.

Fiona Hyslop: If anything, we are seeking to expand. Within the figures, there is also an extra £12 million for part-time grants. There are simply movements within the budget line—as I understand it, no single big policy change has resulted in the reduction.

Claire Baker: I accept that there was no intention to reduce the figure, but I want to know what the background is for the slight reduction. Similarly, there is a reduction in the Student Awards Agency for Scotland running costs from £6.7 million to £6.4 million—the figure is £6.6 million in 2010-11. What is the background for that reduction?

Fiona Hyslop: There is an IT change that peaks in one year. There is a change of process that involves bringing some administration systems in-house.

Claire Baker: The cost of student loans will remain at £71.4 million over three years. The cabinet secretary has already outlined that that is due partly to a knock-on effect of the graduate endowment changes.

The cabinet secretary will be aware that student groups are currently campaigning for an increase in the amount of loans, which they view as being one of the options to address the inflationary pressures that they face. She has been kind enough to grant me, with student representatives, a meeting about inflation costs and the impact on the cost of living for students. Do the figures indicate that the cabinet secretary does not, at the moment, intend to increase the amount of student loan that can be borrowed?

Fiona Hyslop: There is a broader issue: state-sponsored debt, particularly at a time when spiralling debt has caused such difficulties in the financial situation, is a sobering thought, which is why we have already moved to reduce that debt by abolishing the graduate endowment fee. Because two thirds of students added their graduate endowment fee to their loans, we have by removing the fee reduced the loan budget line. That is one reason why the figure has gone down. The move to monthly payments of loans, which I think began under the previous Administration—it certainly happened fairly recently—has also had an impact on the figures, as has an increase in repayments on loans. Claire Baker is correct to note that the loans budget line is variable; those are the three explanations for why that is so.

I know that there might be requests to tackle student support issues, which is one reason why we are prepared to address a number of options as part of a future consultation on student support. Members will know that we are committed to consulting on a minimum income guarantee—which I know the National Union of Students has been pursuing—at the request of Parliament. There are different ways in which we can help to improve the situation of students: we hope to consult on that in the not-too-distant future.

Margaret Smith (Edinburgh West) (LD): You mentioned the minimum income guarantee, which was the Liberal Democrats' and—as you say—the NUS's policy. Is it fair to say that you have an open mind on that? Clearly, you might not have an open pocket-book for student support. Can you give us an update on the more general review of student support and what the financial implications of that might be? Is the funding that is available to you at the moment sufficient to cope with the different options that might emerge?

10:30

We hear from student organisations that student inflation is running at a high level. Most, if not all, of us agree with you that there is a fear of debt among students. Students are not a homogenous body of people. Some people do not go into further and higher education because they fear debt. The situation in relation to student support, especially in further education, is confusing because of the interface with benefits. What is your general view of the position at present? What discussions have you had with the UK Government about the confusion that exists in relation to student support and the impacts that that has? We could make things a bit easier for people by taking away some of the confusion and doubt.

Fiona Hyslop: You have raised a number of issues—if I miss any, let me know.

One of the first things that I did as a minister last July was meet Caroline Flint, then UK minister with responsibility for child care at the Department for Work and Pensions, to discuss changes in funding for lone parents. Unfortunately, she was replaced by Stephen Timms. There is now a new person in the position. Every time I meet the minister responsible for child care, there has been a change.

Margaret Smith: We should learn something from that.

Fiona Hyslop: Indeed. Such changes cause difficulty when we are pursuing the constructive dialogue that is necessary to ensure that the service is more integrated. However, changes in funding for lone parents were one of the first issues that we raised. I am pleased to note that in recent weeks the funding council has moved swiftly to help further education colleges, in particular, with child care costs. Despite the fact that the council has increased child care funding by 9.6 per cent to deal with the changes that we anticipated, it is looking to improve the position as we speak and has contacted colleges on the issue.

I say gently that cutting income tax and removing £800 million from the Scottish budget would leave us unable to deliver additional support for students; members will appreciate that serious point. We must operate within the confines of the current settlement. The current budget lines for student support are for 2009-10. The consultation that will take place will relate to the budget for 2010-11. Members will recognise that I cannot disclose what will be included in the consultation until the proper processes in the Government have been completed. However, we said that we will consult on a minimum income guarantee, and we will. There are other options on the table. The

committee has been lobbied by different organisations that think that there may be more creative ways of addressing the issue. We need to identify the best solution. I will not have a closed mind—the Government has said that it will be open to suggestions.

There are a number of pressures. Currently, a third of students in higher education are at colleges. For older women, we have tried to address child care issues. The impact of the £500 grant should not be underestimated. If someone is a part-time worker who earns £18,000, having an additional £500 in their pocket can make a big difference when they decide whether to pursue higher education. It is unclear whether the success of that initiative in universities would be replicated in colleges—we may want to look at how we can improve the situation, especially for those taking higher education courses in colleges. There are many options available. If you are asking whether I will be open minded on the issue, the answer is yes. It is more appropriate for us to discuss the matter during the next budget process, which will deal with budget lines for 2010-11. We are about to announce the contents of the consultation that will take place.

Have I missed any of the issues that you raised?

Margaret Smith: No, you have given a comprehensive response.

Much of what you said is set against a background of difficult times for the economy and for the education and lifelong learning sector. SDS received £16 million for transition, but it told us in evidence that only in the order of £1 million has been spent to date. On what did you think SDS would have spent the money by this point? Will that money be carried forward into the next financial year? We were told that it would be spent on things like IT systems.

Fiona Hyslop: Skills Development Scotland will give us an advantage by ensuring that we have a more responsive attitude to the economic situation on regional and sectoral levels. I am delighted that we will get level 2 modern apprenticeships for the food and drink industry, which is exactly what it wants. That will help the tourism industry. It is important that we look at those areas that we can help to support. That announcement was made in the past week.

The £16 million to which you refer is in the 2008-09 budget. A number of members have asked what will happen if it is not all spent and whether it can be carried forward. I anticipate that the money will be required. The PA Consulting report, which was commissioned by the previous Government, looked into the different options for changing SDS and came up with proposals that we have since

pared back. As I recall, the committee pursued the issue during last year's budget process.

The £16 million is required to tackle important staff issues. When such a large organisation is put together and staff are transferred—almost half the staff members from Scottish Enterprise are moving over and four different organisations are amalgamating into one—it is quite a major exercise. We are starting to see the benefits of that, and SDS's responsive contribution as we go through the current economic period will be very important.

Equal pay issues will also have a major impact on the budget, and discussions are going on with the unions about how we can deal with those. Pay issues and harmonisation will have an impact, as will pensions. We are also reorganising the business structure—the committee heard evidence from SDS about that—and there will be some IT impact. However, I hope that colleagues will recognise that it is essential to have money in the budget to deal with sensitive staffing issues, such as pensions and equal pay. I hope that the problems will be resolved, although I cannot give any guarantees. It is for SDS to deliver a resolution of the equal pay and pensions issues during the current financial year, using this budget. If there is difficulty in reconciling all that within the current financial year, the Government will work closely with SDS to see how we can work flexibly with them to ensure that equal pay and pensions issues are dealt with. Some of it will be down to IT.

That is an explanation of the pressures that we expected would come up during the bringing together of the organisation.

Margaret Smith: I want to pick up on modern apprenticeships. During the past year, there has been a lot of concern about changes to modern apprenticeships and cutbacks that were made at the time SDS was set up. I noticed that, in the evidence that SDS and you gave us, great play was made of having ensured that sectors were taken on board in terms of the way forward for skills training. However, the Scottish Training Federation and others are still concerned about the manner in which that was done. At a time when, as you have acknowledged, people might need to reskill—and we might be talking about slightly older people in the workforce rather than school leavers—we have seen a reduction of 5,000 in the number of modern apprenticeships for those in the 20-plus age group. What evidence do you have that that realignment, which concentrates on the traditional sectors such as construction, engineering and motor vehicles, is the right way forward? What input have you had from employers, particularly those in small to medium-sized enterprises? That is one of the areas that I am concerned about. Have you had a

chance to review the impact of those changes? What are you doing to allay people's fears that, at a time when we need to reskill people, we have reduced the number of modern apprenticeships that are available to a key age group in the community?

Fiona Hyslop: It is important to reflect on the fact that, if we had not taken the decisions that we took, we would have been locked into a budget that allowed no flexibility, given that investments in modern apprenticeships are for a four-year period. Modern apprenticeships are for people already in employment, so it is important to recognise that they are not a job-subsidy mechanism. The flexibility that we have gained through having a more focused response allows us to adapt to the current economic situation. If we had continued with the locked-in budgets that we had previously, we would have had little flexibility at a time when a more regional and sectoral response is needed.

Our decision last year to increase the number of modern apprenticeships in construction and engineering was the right decision. The manufacturing and engineering sector is currently an area of resilience that is progressing well, although it obviously faces challenges. Given our fairly diversified economy in Scotland, we need to ensure that we support the areas that are in need. Concentrating on the traditional areas of construction and engineering by increasing modern apprenticeships in that sector by 1,000 was exactly the right thing to do.

The evidence base for the changes to adult modern apprenticeships came from the review of modern apprenticeships that was commissioned by the previous Government. The review showed clearly that sustainability was an issue in many adult modern apprenticeships. Given that the average completion rate for such apprenticeships was only 60 per cent, some apprenticeships obviously had a much lower completion rate. We have concentrated on those modern apprenticeships that have a higher completion rate and those that are more effective in so far as employers, according to the research commissioned by the previous Administration, have suggested that the scheme has an impact on business growth and employment patterns.

You are absolutely right about the importance of SMEs. That is one reason why I was pleased that Liz Cameron of the Scottish Chambers of Commerce has been supportive of the skills strategy. One of the strong messages that came out of the national economic forum meeting about a month ago was that the skills strategy needs to continue so that we can focus on pursuing sustainable growth in the current economic climate. There is strong evidence on that.

Elizabeth Smith mentioned the sciences and life sciences. We are introducing a modern apprenticeship in life sciences to deal with the availability of technicians, which is a big challenge for that industry. We are also looking at the food and drinks industry, which wanted us to introduce level 2 MAs. We have done that in response to concerns about the lack of provision of adult MAs at level 2. We have responded quickly—even before Skills Development Scotland has brought its new business model into operation. Yes, we have made the right decisions and yes, we are engaging with different sectors on the way forward.

One of the big challenges in developing the way forward will be for SDS and the colleges to work with the sector skills councils. As people may remember, I managed to broker—for the first time—a new and innovative formal agreement between the sector skills councils and the colleges on local provision. Therefore, I think that the colleges will have a strong part to play in how we go forward.

We have said that we will maintain training numbers, but we will also ensure that the training that is provided supplies the right qualifications. Given that a one-size-fits-all national training system might not suit Scotland, we need to consider what is likely to come forward. Differences are already emerging between those sectors that are resilient and those that need more support and there are also regional differences. The decisions that we took have allowed us the flexibility to make exactly the sort of responsive decisions that will be needed in the current economic climate.

10:45

Margaret Smith: You said that you stand by your decision to increase the number of modern apprenticeships in construction and engineering. I do not think that anyone would disagree with that. Scotland's demographics, however, mean that there are key growth areas, such as care. It occurs to me that there is a gender issue arising from the apprenticeships that you maintained and those to which you made changes. You consulted a reasonably small number of sector skills councils in comparison to the overall number. Do you plan to consider responses from those SSCs and from other people who are affected by the loss of modern apprenticeships in areas such as care, to see whether there are areas in which you have got it wrong? I accept that you might think that you got it right in construction and engineering, but is there any indication from the SSCs or any of the sectors that you got it wrong in any cases?

I have heard anecdotal evidence about women in the care industry who now have to fund—from

small pay packets—their own training, which might previously have been paid for from the public purse. Are you picking up on that sort of impact?

Fiona Hyslop: I think that I can safely say that I am the first Government minister who has met each and every one of the 25 chief executives of the sector skills councils—I did that over the past year. My efforts were partly to ensure that the chief executives are aware of the issues that Scotland faces. I had the opportunity to listen to the chief executives' concerns about growth opportunities and other issues. That led to the formal agreement between the sector skills councils and the colleges.

There are qualifications in the Scottish learning framework other than modern apprenticeships. One of the strengths of our system is the Scottish credit and qualifications framework, which includes both academic and vocational qualifications. It covers the whole range of qualifications, from higher national certificates, access courses, standard grades and higher right through to higher national diplomas and university degrees. The framework is a vital tool for Scotland to use. However, the idea that funding for all training must go through modern apprenticeships in all areas is misplaced, because other qualifications are equally valid.

This Government and the previous Government invested in social services workforce development, because it is important to ensure that we have good, qualified staff working in that area. We have to ask whether training should be a subsidy to employers for employment or whether it should be for upskilling and retraining. That is the focus of some of the debate about who gets what funding and why. There have been some complaints from employers who wanted to use the resources for workforce subsidy. That might happen in a different economic situation. In previous decades where there was a challenging economic situation, training was used to subsidise employment. People might want to argue that we should do that in future.

Margaret Smith: We might.

Fiona Hyslop: All I am saying is that that is not how training facilities have operated in the past. We do a disservice to the quality of training and the different qualifications that are available, particularly for the social services workforce, within colleges and other environments. I challenge the idea that everything has to be done through a modern apprenticeship. We are keen to support the care sector in particular.

Some people are working on a part-time basis and earning less than £18,000. Unfortunately, there are gender and pay issues in much of the care industry in particular. Using opportunities for

grants rather than loans to help access other funding, particularly at HE level, is important. The challenge is how, using the progression of the SCQF, we get college students into college and help with some of the bitesize funding that might be required. SDS wants that to happen. A recommendation that we made in the skills strategy, which I am pleased to see that the UK Commission for Employment and Skills is now adopting, is that we need to provide more flexibility and adaptability and bitesize training that suits the needs of the individual.

Care workers working with families have a difficult challenge finding the time to do training and finding the right way to do it. We will have to consult so that we are not just going on anecdotal evidence. We have made decisions that will allow us to introduce flexibility. Those were the right decisions. Locking ourselves into four-year modern apprenticeships would have provided no flexibility whatsoever, and the committee would have been right to challenge me on what we were doing to adapt in the current economic circumstances. I would then have had to say that I had little room for manoeuvre because the training budgets were all tied up in four-year MAs and people had already been recruited.

The Convener: I will follow on from Margaret Smith's line of questioning. I accept what you say about flexibility, but what proportion of the SDS's budget will be spent on modern apprenticeships and how many modern apprenticeships will be funded?

Fiona Hyslop: We have moved away from the idea that building a qualifications stack will automatically improve the productivity of a country. That was a major statement in the skills strategy. It is the use and application of skills—as opposed to the volume of them—that will have an impact on economic growth and productivity.

We have said that we want 50,000 people in training and that we can deliver that. However, they might not all come through modern apprenticeships. There will be other, equally valid, qualifications that might be more appropriate for the individual and more responsive to the sector. Last week, we saw the provision of level 2 modern apprenticeships, as requested by the food and drinks industry.

The tourism industry in particular has been concerned about a multiplicity of different qualifications. I do not know whether this committee has taken evidence, but I know that the Economy, Energy and Tourism Committee held an inquiry into tourism. The Parliament endorsed that committee's work in a debate just a few weeks ago. We are committed to working with colleges and universities and with the sector itself to look into qualifications that will support the tourism

industry. It is not necessarily four-year MAs that will help to provide the tourism industry with the skills that it needs.

I think that there will be an announcement on tourism qualifications this week. We are being responsive, but the announcement might not be all about totals and volumes. That was the old Government's way of looking at things—measures were volume and target driven. We are making quite a shift away from that; we are being more responsive to individual sectors and regions. It is sometimes easier to measure by volume, and it can be easier for committees to measure progress against totals. As I have said, we are seeking to have 50,000 people in training, and SDS is aware of that and is looking into how we can deliver it. We have to do that in a flexible way; it will not just be about growing the total number of modern apprenticeships.

The Convener: I accept that you do not want an approach that is based on totals, but you have said that you want 50,000 people in training. If you have set that target, and if you intend meeting it, you must have some idea of the different pathways that people will be able to take. You must have some idea of how you can ensure that 50,000 people are in some form of training. It would be helpful if you could give us an indication of the number of modern apprenticeships that there will be—among that total of 50,000.

Fiona Hyslop: As I have said, we have—quite rightly—increased the number in engineering and construction by 1,000. There will be 500 for people who are under 21 and 500 for people who are over 21.

Issues arise to do with how we respond to the different sectors. Margaret Smith is quite rightly asking me whether we can be responsive to the different sectors. That is exactly what Skills Development Scotland is doing. It was established in April, and there have been different responses from the different sectors. Commissioning for the next set of training programmes is in process. I do not micromanage Skills Development Scotland, just as I do not micromanage the funding council.

We want to have 50,000 people in training but, as we have indicated, they will not all be in modern apprenticeships. We should respect the fact that, as Skills Development Scotland said in evidence to the committee, it is putting together a new process and a different business model so that it can be more focused and targeted. I cannot as yet give an indication of the total number of modern apprenticeships. We should remember that modern apprenticeships are four-year programmes and that some are commissioned and continuing. As I said, we have maintained modern apprenticeships for under-21s and we seek to target adult modern apprenticeships,

because most of those places go to people who are already in employment. We must ensure that those are in the sectors and regions that we need to help to stimulate the economy, particularly in this challenging time.

The Convener: The Government has set a target of generating 50,000 training places, but you do not know roughly how many modern apprenticeships and other training options will be available. How can the Government guarantee with confidence that it will create 50,000 training places?

Fiona Hyslop: The issue is about operating with different agencies. Skills Development Scotland is charged with delivering the skills strategy. Members have seen the skills strategy and our commitment to have 50,000 people in training. That will involve different formats, with some modern apprenticeships. As I said, we are continuing the modern apprenticeships for the under-21s as we think that they are important, and we will focus on some of the more adult-based apprenticeships. There will be feedback from the sectors. I have mentioned the future requirements of the life sciences, tourism and food and drink industries. I expect a more responsive approach.

The Government should not be hide-bound by being locked into funding for four-year training programmes, particularly at a time when flexibility, even within the year, will be important. One difference that I want in Skills Development Scotland and the funding council is for them to be able to respond flexibly and to adapt to changing circumstances and challenges. We are doing that for the tourism, food and drink and life sciences sectors. We have responded with 1,000 additional MAs for construction and engineering, which will be split between under-21s and over-21s. That is progress and it shows how responsive we are.

The Convener: With all due respect, cabinet secretary, I am not asking you to give the committee a guarantee that 50,000 modern apprenticeships will be funded in the next four years. I am asking you to tell the committee how many of the 50,000 training places that your Government has set as an objective you anticipate will be modern apprenticeships.

Fiona Hyslop: I am more than happy to bring the plans to the committee when Skills Development Scotland responds fully to the discussions that it is having with the different sectors, which Margaret Smith and others have asked about. It is important to have those discussions. Commissioning has not yet taken place. As I say, we will maintain the number of modern apprenticeships for under-21s and we have increased the number of modern apprenticeships by 1,000 for construction and engineering. The issue is about what we do for

other sectors. I am pleased that we will have adult modern apprenticeships at level 2 for the food and drink industry, because that is more responsive to the industry's needs.

A Stalinist approach with a national target will not meet the needs of various sectors at a time of big challenges. That is the shift in training provision. As a large number of people in industry, including employers, have recognised, volume targets are not the way forward for Scotland. They were not the way forward before we came into Government and they certainly will not be the approach in the future. The Government operates an outcome approach that is not about inputs into the system, but the outcomes in productivity. We really need sustainable economic growth and improvements in productivity levels. Previous experience shows that simply growing the number of qualifications in the system does not automatically result in improvements in productivity and economic growth. Despite the fact that Scotland has a far better qualified population than that in England, its productivity and economic growth has lagged far behind productivity and growth in England, which has a lower skills base. I have had discussions with colleagues at the UK Commission for Employment and Skills who are increasingly attracted by our focus on the skills utilisation agenda—for example, how we make more of existing skills and how we upskill people who are already in the workplace. Increasingly, the debate in England is focusing on some of the activities that we are embarking on here in Scotland, which I welcome.

11:00

The Convener: Cabinet secretary, the purpose of this evidence-taking session is to scrutinise the Government's budget. Whether there is sufficient funding in SDS's overall budget to pay for modern apprenticeships is a legitimate question for the committee to ask. We are simply trying to get at whether there is sufficient money—

Fiona Hyslop: Yes.

The Convener: How can you say yes when you do not know how many modern apprenticeships you will fund? How can you be at all confident that there is sufficient money? You are just saying yes and passing the responsibility on to somebody else.

Fiona Hyslop: As I indicated, £176 million of the budget line has been transferred into the Skills Development Scotland budget to achieve the outcomes that have been asked of SDS, including training for 50,000 people, the distribution of which might not happen in the way that some committee members want; they might want all those places to

be for modern apprenticeships or perhaps two thirds of them.

The budget has been transferred from all the different areas to Skills Development Scotland and SDS will deliver the responsive training required to improve economic growth and productivity in Scotland. At the end of the day, SDS is about improving skills and training. Convener, you might want to take a volume-and-numbers approach to skills and training; we prefer to take an outcomes approach. That is why getting 50,000 people into training is a good direction to give to SDS, as is asking it to respond to individual sector needs.

Perhaps that is a different outlook on how we should operate the budget. It is fair to allow Skills Development Scotland the flexibility in its budget to deliver what the Scottish economy and different sectors need and to decide on the distribution between modern apprenticeships and other valid qualifications, whether in colleges or anywhere in the SCQF line, rather than the Government putting a national target on how many modern apprenticeships are needed. SDS is far better placed to discuss matters with local businesses and the sector skills councils as opposed to national Government dictating how many modern apprenticeships there should be.

The Convener: I will have to remember that interesting approach the next time that I go to the shops.

I remind members that the minister has been with us for quite some time, so I ask them to keep their questions short. There are still several areas that members want to ask about that we have not even touched on. It will help if the cabinet secretary keeps her answers equally succinct.

Margaret Smith: I hope that you can answer me with one positive word, cabinet secretary. You talked about flexibility in relation to modern apprenticeships. From my understanding, flexibility in the past year meant that, despite assurances being given to training providers, they had very little notice—literally 24 hours' notice—that 5,000 modern apprenticeship places would not be available. I am sure that you will accept that training providers right across the board, whether small or medium-sized businesses, voluntary organisations or councils, are absolutely essential to developing skills and training and that clarity is essential to them. They have to plan their businesses and their provision. Can you give us assurances that, in future, the situation will not be handled as it was last year and that, despite your need for flexibility, you appreciate that the people who provide much-needed training, whether through modern apprenticeships or in any other way, need clarity?

Fiona Hyslop: I value the role of the different training providers and you are right about their need for notice so that they can plan. The skills strategy, which we published in September last year, indicated that we were moving away from a volume-based approach to training and that modern apprenticeships would not necessarily be the solution to all training needs in the future. I suspect that the various organisations did not recognise that as a change in policy direction, although it indicated a change in the Government's approach. If we had locked ourselves into four-year funding streams, we would not have the flexibility that we now have to be more adaptable.

You are right to recognise the importance of long-term planning. I have indicated to Skills Development Scotland and to those who commission training that we want to ensure that we give as much notice as possible about what is required. The circumstances last year were not desirable. They were probably necessary but they had an adverse impact, which I recently discussed with the Scottish Training Federation.

I acknowledge the concerns that individual companies expressed, but the idea that all training should be provided by the public sector is misplaced. We are trying ensure that any training provider can support employers to make private investment in training. Other countries place a greater emphasis on employers, privately, through their own means, investing in training for their own purposes. We must get the balance right. It might create more pressure if organisations depended solely on the public sector, on public funding and on public commissioning for training. Less than 10 per cent of all training providers were reliant on public investment for training for a disproportionately high amount of their business. It is important to have more diverse funding streams. SDS has been working with organisations that have perhaps been overreliant on public sector funding for training to ensure that they develop their businesses and have different funding sources.

Your points are well made and will be reflected in the feedback that I give to Skills Development Scotland about concerns raised by the committee.

Kenneth Gibson (Cunninghame North) (SNP): On 1 October, the committee took evidence from Damien Yeates, the chief executive of Skills Development Scotland. He said:

"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."

Mr Yeates continued:

"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."—[*Official Report, Education and Lifelong Learning Committee*, 1 October 2008; c 1518-19.]

What discussions have you had with each of the areas for which you are responsible to ensure that, given the challenges that we face in Scotland, the approach that is taken shows the same positive, can-do attitude in respect of the optimisation of resources that Skills Development Scotland appears to demonstrate?

Fiona Hyslop: One of the important developments at a national, strategic level is the establishment of the strategic forum, which brings together the chairs and chief executives of VisitScotland, Highland and Islands Enterprise, Scottish Enterprise, Skills Development Scotland and the Scottish funding council. They had not come together previously to consider the strategic direction.

There can be close alignment between SDS and the Scottish funding council in relation to what will be supported, because some solutions for training will be provided through universities and colleges, some will be provided—as we heard—through private training providers and some will be provided through other means such as, increasingly, in-work training opportunities. Part of the can-do attitude is about what an organisation can bring to the table and how organisations can work together.

A number of the single outcome agreements indicate a desire to consider what we can all do to ensure that we are responding to the local situation. That approach will increasingly be taken in the single outcome agreements that will be reached next year with community planning partnerships. We are increasingly seeing better co-operation on that locally and at a strategic level. One of the first things that the strategic forum, which I co-chair with John Swinney, decided to do was look at the tourism industry in particular.

We need to ensure that the different sectors articulate their ask of Government and identify what they need to provide themselves with to ensure that we all playing to our strengths and

seeking opportunities. That is exactly the sort of can-do approach that is required.

Employers and people in business tell me that sometimes there has been a great distance between their needs and the actions of Government and public agencies in response to those needs. That is a concern, so when I was told that technicians were needed in life sciences, we moved swiftly to develop an MA for life sciences.

Some of the existing investment must be leveraged to ensure that what is provided is of as high a quality as it can be, and we must ensure that a can-do approach is taken to in-work accreditation. It is important that the Scottish funding council works closely with Skills Development Scotland. COSLA is working with both those agencies to ensure that, when we move into the next area of single outcome agreements for community planning partnerships, there is a responsive attitude to what can be done for particular areas. Quite clearly, the needs of people in Aberdeen, with their focus on oil and gas engineering, will be quite different from the needs of people in other areas, which might have more of a focus on construction, for example.

It is important that people work more collaboratively. That is the Government's intention, and I can provide evidence that that collaboration is already happening.

Kenneth Gibson: Yes, I know that you talked earlier about collaboration.

In an economic downturn, there will be an extra focus on challenges in funding. Additional resources are, obviously, always welcome in any area, and I am pleased that the Scottish Government has increased the proportion of money that is now going into higher education after years of relative decline in that area. A lot of colleagues are calling for additional funding for higher education. Given that the Scottish Government's budget is fixed, you will have to shuffle the deckchairs a bit in order to move money between budget headings.

The comprehensive spending review envisaged an inflation rate of 2.1 per cent, and it is now 5 per cent. I realise that instability in the Westminster Government has meant that you have had to deal with three different ministers in the past 18 months, but what discussions have you had with colleagues south of the border about closing that gap? As they are the people who fund the Scottish Parliament, have you emphasised to them the fact that inflation has increased markedly and that, if our higher education institutions are to be able to compete, it would be helpful if they were able to access some additional resources? If so, have you had a positive response or have you been met

with silence? You might want to be diplomatic but, basically, where are we on that?

The problem is with the overall budget. People can talk about increasing allocations within that budget as much as they like but, clearly, the source of the revenue is the most important thing.

Fiona Hyslop: Absolutely. That is one of the things that we have to consider.

The Cabinet has contacted the UK Treasury and the Chancellor of the Exchequer to state our case. Talking about the money that is held by Ofgem is a creative way in which to ask for more resources. If we got those resources, we would not take money away from the UK Government, because that money is locked in the Ofgem cabinet, where it will stay until the UK Government decides that it should be spent.

The underspend is a similar issue. This Government has been prudent and has ensured that we have used to the maximum the resources that are available to us. Hundreds of millions of pounds that previous Governments left in the Westminster coffers have been released and spent. There is still a small amount left, and accessing it would make an impact on the amount that we can invest. My colleague, John Swinney, is responsible for pursuing that, and he has done so vigorously.

So far, there has been a fairly stony silence to some of the positive suggestions that we have made. However, I can say that I have regular contact with UK ministers—if they do not change their portfolio. I hope to meet John Denham shortly. We have a common interest in ensuring that university departments are doing research in areas that will help us to get through the current economic difficulties and take advantage of the longer-term economic opportunities. Similarly, we have a common interest in investment in schools and training. Indeed, Maureen Watt, the Minister for Schools and Skills, was supportive of the current advertising campaign that is being run by the Confederation of British Industry Scotland and the trade unions that carries the message that it is important that we continue to invest in skills and training at this time.

I hope to work co-operatively with UK ministers when I can, but we have a fixed budget. People may say to us that universities need more investment because of revenue cost increases, but we have no room for manoeuvre. The UK Government's fiscal powers allow it to have more flexibility. Unfortunately, those powers have not been deployed to have an impact on us. We have operated on the basis of what we have. I hope that the committee acknowledges that because greater flexibility is possible with my portfolio's budget, we have lent money from it to help bring forward

capital investment in housing. Within the existing limits, we are trying to be creative about helping with investment.

However, it is clear that the present position cannot continue. The UK Government has its hands on the financial levers, the use of which would provide some respite for bodies that are under pressure. In her opening remarks, the convener alluded to the fact that energy costs are impacting on everyone. Households and organisations are affected, as well as councils, universities and colleges. It would help a great deal if we had the flexibility to tackle that.

11:15

Kenneth Gibson: Given that we have a fixed budget and that a number of colleagues are calling for additional expenditure in your portfolio, would it be helpful if those members advised you of where they believed that that additional money should come from?

Fiona Hyslop: Yes—let us get back to business, which is the budget for 2009-10. Any requests from committee members for additional spend on any areas that they identified would have to be accompanied by a recommendation for a cut. I would strongly resist cuts in other areas of our budget, whether in children's services or elsewhere. I would also strongly resist moves to cut the overall spend that is available to the Scottish Parliament, which the cuts in taxation that the Liberal Democrats recommend would result in. That would reduce the amount of money that is available for public spending and would provide no room for manoeuvre on student support, universities, schools and modern apprenticeships. If there was an £800 million cut in the Scottish budget, the number of modern apprenticeships and of opportunities in skills and training in general would be hit hard.

I will certainly relay to Cabinet colleagues concerns about the impact of our fixed budget, but the committee must recommend where cuts should be made if it would like parts of the budget to increase.

Kenneth Gibson: I will move on to an area that has already been mentioned—top-up fees and the possibility of the cap being removed south of the border. Will the Scottish Government remain committed to delivering free education in Scotland? On competitiveness, although the argument is made that if top-up fees are increased south of the border, the universities in question will become more competitive, will that not reduce the ability of many people to go to university, deprive those institutions of some of the talent that might otherwise be available to them and impact adversely on access? I am really looking for a

guarantee that we will not go down the road of top-up fees.

Fiona Hyslop: This Government is opposed to fees, whether they are front end or back end. To be fair, other parties have indicated that they would not want top-up fees or any kind of fees to be introduced in the system. This Government wants to ensure that we have a free education system. I am pleased that for the first time for a number of years, there has been an increase in the number of people applying to and being accepted by universities.

The Convener: You have said a number of times that for 2009-10, £20 million is being moved from the FE/HE budget and put into the health and wellbeing portfolio. Were you consulted on that change?

Fiona Hyslop: Of course.

The Convener: That is fine.

Fiona Hyslop: It will be returned for 2010-11, to help with future capital spend.

The Convener: I am glad to hear that, but did you consult the sector on the change?

Fiona Hyslop: We had discussions with the Scottish funding council, and I am pleased that it co-operated. I understand that Howard McKenzie from the Association of Scotland's Colleges made a point of saying that his organisation was pleased that it could help to alleviate some of the pressures in the construction industry as a result of the intelligent and timely deployment of money. The Scottish funding council was fully consulted on the matter.

Government has responsibility in that regard. As Kenny Gibson said, we are constrained because we have a fixed budget. We cannot invest in one area without cutting investment in another, and we do not want cuts in budgets. However, we can share, manoeuvre and push round bits of the system.

A relaxation of capital investment rules would make a big difference, because 2009-10 will be a particularly pressured year in relation to capital spend for Government as a whole. Additional capital resources on top of the current budget or permission from the UK Treasury to reshape capital investment and bring forward capital spend from one year to another would make a big difference. We have made various suggestions to the UK Treasury in that context.

There will be £2 billion of investment in construction in the schools sector in Scotland during the next five years, which is welcome at a time of great difficulty for the construction industry. Members will remember that we rolled the schools fund and other funds into the local government

budget, and I am pleased that that approach has provided £115 million of additional capital investment in each year of the spending review period, which local government can spend on capital projects. I am pleased that our decisions for the spending review period have ensured that capital will be where we need it to be, in public services and public works, which will help to sustain part of the construction industry at a time when house building pressures are having a big impact on the sector.

The Convener: Aileen Campbell has a question—I hope that you will do better than other members did in trying to keep the question brief. I also hope that the cabinet secretary will be mindful of the need to keep her answers short and to the point.

Aileen Campbell: We have been suitably rebuked.

Kenneth Gibson: That sets a marker for Ken Macintosh.

Aileen Campbell: Cabinet secretary, did you say that the Scottish funding council, the skills sector and universities had not been brought together in the past?

Fiona Hyslop: There were relationships, of course, but they were not at a strategic level and they were not between chairs and chief executives. If we are to go forward as a country and bring sectors together, we need a strategic forum that brings the main players together regularly. I must say that I was surprised that that had not happened in the past, but we are where we are. We must ensure that the organisations work together more closely and that there is regional and sectoral analysis. The Government's economic strategy refers to key sectors for the economy, and it will be helpful if all organisations in those sectors focus on how they can deliver for key areas of the economy.

I do not want to make great play of the matter, but when we came into Government things that we assumed would be happening operationally and strategically were not happening. This Government probably operates on a more collegiate basis than the previous Government did. Part of the purpose of having cabinet secretaries and five Government objectives is to ensure that we get out of the silo mentality whereby there is no co-operation between departments, divisions and institutions. That is difficult to achieve, so I do not want to be too down on the previous Government, which made great efforts to secure better collaboration between institutions. However, the way in which we operate allows more collaboration.

Aileen Campbell: That is a sensible approach in a time of relative economic uncertainty.

You said that some countries have a higher rate of non-public sector involvement in training than we have. How big a challenge will it be to change attitudes, so that more training is provided outside the public sector?

Fiona Hyslop: It is about acknowledging that productivity and competitiveness come from innovation, through workplace practice and other activities that help to generate additional wealth for particular businesses—it is a people-centred area.

Unless we are to compete with low-skills, low-wage economies—we do not expect Scotland to return to being such an economy, even in the current situation—we have to compete on knowledge, providing better products in areas of potential growth. Renewable energy provides us with particularly good opportunities. I am not referring only to large-scale initiatives. Just last night, I met representatives of a number of organisations and companies in relation to continuing education and business relations with China. Many small-scale companies are showing great innovation. We should ensure that we operate to the maximum in that regard.

Investment needs to be made jointly, without people always relying on the public sector to invest in skills and training. We need to provide more tailor-made responses to what private companies need. SMEs are critical in many senses. I am straying a wee bit into other colleagues' remits, but SMEs get advice about business plans from business consultants, whereas they sometimes need more practical support on personnel, advertising and skills and training. The practical provision of that support is a big challenge for us. That is one of the areas that I would like to concentrate on.

I do not underestimate how difficult the task is. The bottom line is that we do not want companies that are facing challenging times to reduce their skill or training levels in order to spend on other things. We have been supportive of the approach of the UK Commission for Employment and Skills and the UK Government's approach through the advertising campaign that reminds people that if they want to come through the downturn, investment in skills and training should not be put to one side.

Aileen Campbell: Has any country got it absolutely right? Where can we look for a good comparison?

Fiona Hyslop: Finland is a very good example. The previous Education Committee visited Finland and examined its early years investment. Its innovation and investment in universities are substantial. We note its business start-up rates and the way in which it has responded to current challenges.

Norway is also a very good example, especially considering the current financial situation and pressures. It invested its oil revenues and is living off the interest, and has been able to support and recapitalise its banks. That approach has been very effective.

Other countries have different experiences in skills and training. I am not sure whether Andrew Scott is able to comment on countries with particular skills and training investment policies. In Germany, there is a lot of private investment in telecommunications. Businesses are automatically expected to invest in apprenticeships themselves, as opposed to expecting the public sector to come in.

Andrew Scott: That is true.

The Convener: Ms Campbell, you certainly deserve an A plus for keeping to the point, but I think that the minister could try a little bit harder. Unfortunately, members still wish to cover a number of subjects, and other witnesses will have to wait.

Ken Macintosh (Eastwood) (Lab): Like me and other members, the cabinet secretary will be aware of education cuts in local authorities around the country, in particular cuts in support staff, which have a particular impact on school discipline and additional support for learning. Following on from her earlier answers to the convener, does the cabinet secretary believe that those cuts are entirely local decisions and the responsibility of local authorities, or does she believe that she, too, is responsible for some of the decisions?

Fiona Hyslop: We are responsible for the local government settlement that we gave to councils across Scotland. It was set at a record level, and was an increase on the settlement under the previous Government, when the local government share of the national budget went down marginally. We have managed to turn the corner, and this session local government spend has been increasing as a share of national Government spend. The budget resources that we have put in nationally, which are what you hold me to account on and which are contained in the 2009-10 budget, have increased substantially. The capital figure of £115 million has been referred to, but there has also been a 13.1 per cent increase in local government revenue spending, which is where the vast bulk of educational and social care budgets go in. Education budgets are increasing across Scotland, and they are doing so substantially in a number of local authorities.

Even before the new relationship with local government was established, my predecessors as ministers—Hugh Henry and Peter Peacock—did not micromanage the budgets of individual councils.

11:30

Ken Macintosh: We must hold you responsible either for outputs or for budget decisions. Local authorities say that there is insufficient funding. You will recall the difficulties that we had with accountability and transparency of the budget process when you were a member of the Education Committee. I cite a topical example. Where in the budget documentation can we find the funding for the school meals policy that is due to be implemented in 2010-11?

Fiona Hyslop: It is in the local government lines. It is part of the £34.9 billion that has been given to local government.

Ken Macintosh: Exactly how much does the settlement include for school meals?

Fiona Hyslop: The settlement has been negotiated as a whole. Our understanding with COSLA is that £30 million has been made available in 2010-11, when the policy will be rolled out fully. COSLA confirmed that last Friday at its convention, and its leadership group has done so previously. The money to fund this progressive policy is included in the local government settlement.

Ken Macintosh: So there is £30 million. We will come back to that when we consider the issue in more detail. How much money is available to reduce class sizes?

Fiona Hyslop: Again, the local government settlement is £34.9 billion over the spending review period, and the settlement is part of the concordat with COSLA. On the bottom of page 4 and the top of page 5, the concordat states:

"The provision of additional capital allocation and specific arrangements for local authorities to maintain teacher numbers in the face of falling school rolls will allow significant progress on this policy over the Spending Review period."

That is the position that was negotiated with COSLA.

Ken Macintosh: You were able to put the figure of £30 million on school meals. Can you put a similar figure on capital and revenue spending to fund reduced class sizes?

Fiona Hyslop: It is easier to identify the issues relating to school meals, and we have done that. The package was negotiated as a whole, and funding for reducing class sizes is included in the local government settlement. The Local Government and Communities Committee will scrutinise the local government settlement, just as the Education, Lifelong Learning and Culture Committee is scrutinising the national education budget. The settlement was the subject of debates and votes in Parliament.

Ken Macintosh: I appreciate that. You say that it is easier to identify money for school meals. I do not see why it is easier to identify money for one policy than for another. Surely the policies are costed—you must have some costings. You have identified £30 million for school meals. Can you give any figure for reducing class sizes, one of your flagship policies?

Fiona Hyslop: The fact that we have put sufficient resources into the local government settlement, which was negotiated with COSLA last year—

Ken Macintosh: If the resources are sufficient, surely you can tell me what that sufficiency is.

Fiona Hyslop: I transferred the previous budget for the allocation of 53,000 teachers to the local government settlement—that is what was provided. The budget for the roll-out of free school meals entitlement from August 2010 for the rest of the financial year 2010-11 will be £30 million. That is the figure for the spending review period. COSLA has confirmed that funding for roll-out of free school meals is contained in the concordat that it negotiated, which recognises the local government settlement.

Ken Macintosh: I agree. However, I am sure that you will acknowledge the frustration that the committee feels when it tries to track budget and spending decisions without being given the figures. It is all very well for you to say that you have negotiated a figure with COSLA, but if you cannot give us that figure—or even the calculations—it is difficult for us to hold you to account. I will go no further than that.

Fiona Hyslop: You and I were members of the Education Committee in the previous session. As you know, funding for teachers was part of the local government settlement before—there has been no change in that respect. All we are saying is that we are maintaining current levels of funding, so that teacher numbers can be maintained at a time when school rolls are falling across Scotland. Reductions in class sizes are taking place in South Lanarkshire, North Lanarkshire and other parts of the country.

It is not new for teachers' salaries and funding for teachers to be maintained in the local government grant-aided expenditure settlement. What we are saying is that we have maintained that level of funding to enable teacher numbers to be maintained during the current spending review period. That was negotiated and agreed in the concordat with local government.

Ken Macintosh: If I may say so, quite a few things are new. There have always been difficulties with transparency and the process has never been entirely satisfactory, but many budgets have now been rolled together and there is less

detail about individual budgets and spending allocations than before. Furthermore, specific demands are being made of local authorities that were not made before, and even in the SNP manifesto, those were costed at more than the increase in the education budget.

It is difficult for the committee to hold you to account for spending decisions when you have clearly asked for more things than you have allocated money for and we cannot break them down. I am just expressing my frustration about that. The information for which I was hoping is clearly not available.

On efficiency savings, can I ask—

Fiona Hyslop: We have not asked for more things than we have allocated money for. We agreed the settlement with local government and we agreed what it will deliver under the agreement.

Ken Macintosh: Off the top of my head, you have asked local authorities to reduce class sizes, expand physical education, expand nursery education and expand the provision of school meals. All those things were costed in the SNP manifesto, and the total of those costings is more than the increase in the education budget.

Fiona Hyslop: Local government agreed that they could be delivered as part of the—

Ken Macintosh: Local government might have agreed, but the Education, Lifelong Learning and Culture Committee is trying to hold you to account for the decisions that you negotiated with local government. We are trying to work out on what basis they were agreed and to find out your calculations and costings, but you are unable to give us that information. You have given us the £30 million figure for school meals, but you are unable to give us any other figures. Your flagship policy of reducing class sizes has no figure attached to it. Surely you must accept that there is an element of frustration for the committee.

Fiona Hyslop: I refer you to the Local Government and Communities Committee, which scrutinised the local government settlement and which will do so again as part of the budget process. Clearly, the £115 million of additional capital every year for local government, much of which is being provided to the local government settlement from the national budgets that I hold, will allow improvements in the capital that is available for schools, whether that is for class size reductions or school building construction. As I said, the total is £2 billion over five years. Also agreed with COSLA was the maintenance of teacher numbers at 53,000.

Earlier, we discussed pressures on revenue in universities, but I recognise and understand that

there are pressures on local government as well. For example, it is facing additional energy costs and other revenue costs. Just as we have fixed budgets, so do local authorities. I expect that the UK Treasury, which does not have a fixed budget and has more room to manoeuvre, will be asked to respond. We are already hearing from councils about some of the pressures that they face.

However, you are scrutinising the budget for 2009-10, and you are asking about the resources that are in the system. Those resources were put in to help to support and deliver the proposals, and that has been recognised by those who deliver the services.

Ken Macintosh: Cabinet secretary, there is nobody here who does not recognise that there are pressures in the system and pressures on everybody. The difficulty is that we have to hold you to account for your spending decisions. You are making policy choices and decisions and asking local authorities to implement them, but all that you are giving us is a generic or global figure. Each individual policy within that is not costed, so we cannot work out which of the policies we can hold you to account for.

As I said earlier, what is happening in practice is that support staff are being laid off and the education of our most vulnerable children—those who receive additional support for learning—is already suffering because local authorities have found that to be the first area in which they can make cuts. That is why it is difficult for us. We can see the direct effect of decisions. We agree that there are difficult decisions for you to make, but we want some transparency about which decisions you are taking and which ones you are pushing on to local authorities and asking them to make.

Fiona Hyslop: Well, I do not see a reduction in support for additional support for learning throughout the country.

Ken Macintosh: Are you saying that no support staff are being laid off anywhere in Scotland?

Fiona Hyslop: I understand that the committee is taking evidence on the improvements and changes that we want to make, through the bill that is being drafted, to enhance additional support for learning provision. You can write to me, giving me examples of your concerns; however, I would not have expected my predecessors, Hugh Henry and Peter Peacock, to micromanage each individual local authority in Scotland.

We are enhancing the provision of additional support for learning by closing some of the loopholes in the previous additional support for learning legislation that was passed by the Parliament. That indicates that we recognise the issues that have been raised and want to tackle

them. I realise that you will want to spend a lot of time and attention on scrutinising the Education (Additional Support for Learning) (Scotland) Bill to ensure that it is passed in time for it to have an impact on those who are affected.

Ken Macintosh: Indeed, cabinet secretary. We will return to that.

I also want to ask about efficiency savings. The difficulty that we always have with efficiency savings in education is the fact that two thirds of a local authority's education budget is spent on teachers' salaries and only about 5 per cent is spent on administrative costs. How much of the 2 per cent efficiency savings do you expect to come from teaching costs and how much do you expect to come from administrative costs?

Fiona Hyslop: The wording in the COSLA agreement was quite specific and intended to relay the fact that we would ensure that there were sufficient resources within the funding settlement to maintain the number of teachers at the August 2007 level—approximately 53,000 teachers. That is far better than what was proposed by some of your colleagues, who said that we should adopt the Westminster proposal of 3 per cent efficiency savings with no guarantee that there would be no compulsory redundancies. I do not expect the efficiency savings to have an impact on front-line teaching services.

You are absolutely right to say that the majority of a local authority's education budget will be spent on teaching and that any efficiency savings should come from other aspects of the education budget. However, whereas the previous Government would claw back efficiency savings to the central pot and use them for other purposes, for the first time local government is able to retain the efficiency savings that it makes. In that context, I was pleased to see that South Lanarkshire Council used the efficiency savings that it managed to secure in other areas to invest in additional teachers to drive down class sizes to 18 pupils in areas of deprivation. Local government, for the first time, being able to retain its efficiency savings is a welcome move.

Nevertheless, you are right to suggest that the efficiency savings in education should not come from front-line teaching services. That is why, at the time of the negotiations with COSLA and in funding the local government settlement as we did, we ensured that sufficient resources would be provided to maintain the number of teachers at the August 2007 level.

Ken Macintosh: Are you saying that the 65 per cent of a local authority's education budget that is spent on teaching costs should not be touched by efficiency savings at all?

Fiona Hyslop: The target of 2 per cent efficiency savings was set across the board for all areas of local government, not just education. Sufficient resources were put into the local government settlement to—

Ken Macintosh: Hold on a second, before you go off into that again. Around 65 per cent of a local authority's education budget is spent on teachers' salaries. Are you suggesting that no efficiency savings should be made in that part of the budget?

Fiona Hyslop: I am not sure how a council could achieve efficiency by cutting front-line services. That point was made by the convener.

Ken Macintosh: That is fine. The logic of that is that the 2 per cent efficiency savings need to come from the other third of the education budget. Is that what you are saying? Does the other third of the education budget have to absorb the full impact of the 2 per cent efficiency savings?

Fiona Hyslop: No. I am saying that sufficient resources were put into the local government settlement to maintain the number of teachers at 53,000, recognising the fact that efficiency savings of 2 per cent were being required of local government as a whole.

Ken Macintosh: So, you expect the efficiency savings to come from other areas of local government, not from education. You do not expect a local authority's education budget to bear 2 per cent efficiency savings—you expect other budgets to absorb those savings.

Fiona Hyslop: My position on efficiency savings is exactly the same as the position that Peter Peacock took as education minister.

Ken Macintosh: With respect, it is not the same position. Local authorities' education budgets were specifically ring fenced and protected. The previous education minister had a ring-fenced education budget and made a specific policy commitment that local authorities' education budgets were exempt from efficiency savings. Are you saying that teaching is still exempt from efficiency savings? If so, that is clearly what we did.

Fiona Hyslop: I recommend that you read the report of the previous Education Committee on previous budgets. Your colleague, Wendy Alexander, did a fairly good forensic job of identifying the fact that, under the previous Administration, despite the fact that Peter Peacock had made a commitment that efficiency savings should not be made from local authorities' staffing budgets, that was what happened. That was a part of the Finance Committee's budget scrutiny report to Parliament on which the Education Committee had a major impact.

You are asking me whether there are sufficient resources for the 2009-10 proposals—

11:45

Ken Macintosh: I am not, cabinet secretary; I am asking, will you meet the 2 per cent efficiency savings purely from one third of the budget or will they be spread evenly?

Fiona Hyslop: Councils will decide where they take their efficiency savings from. They will come from bureaucracy in order to make improvements and get better value out of the system as opposed to having an impact on front-line services. I have said that clearly before and it was also the instruction that my colleague, John Swinney, gave local government on where they should seek their efficiency savings.

I am disappointed in some local authorities such as Glasgow, which has an increased budget—and, as the convener acknowledges, an increased education budget—but is not translating that increase into employing teachers, but I have not heard that Glasgow plans to make an efficiency saving by cutting teacher numbers, and I would be concerned if it did. To be fair, I do not think that that is the case, although there might be other reasons for not translating the budget increase into more teachers, which it is for Glasgow to explain.

Ken Macintosh is asking me what provisions we have made in the 2009-10 budget. The local government settlement that covers 2008 to 2010-11 includes sufficient resources to enable teacher numbers to be maintained at 53,000, which was the approximate position in August 2007.

In relation to all budgets, I recognise that revenue costs have increased for everybody—local government, universities and colleges—since provision was made for 2008-11, but I categorically assure the member that when we put the money into the budget, the money was there to ensure that the budget transfer allowed for those numbers to be maintained, despite the fact that we were also asking local government for efficiency savings from the whole pot.

Ken Macintosh: I have an entirely separate question. The cabinet secretary will be aware of my constituency interest in Holocaust education, and will also be aware that the initial funding for Holocaust education trips has just ended. In England and Wales, the funding has been renewed over three years and has come from the education department budget, which means that for the next three years pupils from every secondary school in England and Wales can continue to fly to Auschwitz and have that moving and beneficial experience. Unless the Scottish Government and the Cabinet Secretary for

Education and Young People make a similar commitment and fund the Holocaust Education Trust, which organises and subsidises each flight to the tune of £200, the flight that went out two weeks ago will be the last one from Scotland. Leaving aside the attraction of the £200 subsidy, will the cabinet secretary commit to finding £214,000 a year to pay to the Holocaust Education Trust, so that it can continue its programme of flights to Auschwitz from Scotland?

Fiona Hyslop: It is important that our children experience such visits. Understanding an important part of history that must be remembered is of benefit not only to them as individuals but to the schools with whom they share their experiences when they come back to the wider community.

One of our concerns about the situation was due to an indication from the Westminster Government that the funding to which Ken Macintosh referred was additional funding—part of an increased allocation via Barnett consequentials, which we now understand is not the case. In the overall funding that was provided through Barnett consequentials, which are not ring fenced, there was no additional funding for the flights.

There was an expectation that as part of the local government settlement, when education resources were transferred to local government, funding arrangements for the flights would be able to continue. I am pleased to say that Maureen Watt, the Minister for Schools and Skills, met the Holocaust Education Trust recently and it was willing to work co-operatively to find ways to continue the visits. We might have to co-ordinate and organise them differently than has happened in the past, but the commitment has been made.

Ken Macintosh: I do not wish to go over old ground about the Barnett consequentials. Will the minister agree to look again at the possibility of finding £214,000 from her education budget to ensure that the trips will continue from Scotland?

Fiona Hyslop: Obviously, we are in a fixed-budget situation, but the committee can recommend where it would cut budgets in order to find other funding for the trips. As the Westminster Government indicated, historic funding was part of a previous funding mechanism and there is no additional money through the Barnett consequentials for this or indeed subsequent financial years. As I said, discussions have taken place recently with a view to finding some way of working with local government to ensure that we can continue those valuable visits.

The Convener: That concludes the committee's questions to you today, cabinet secretary. I thank you and your officials for your attendance. The committee will be suspended until 11.55 to allow the minister to leave and our next witnesses to join us.

11:50

Meeting suspended.

11:56

On resuming—

Subordinate Legislation

Provision of School Lunches (Disapplication of the Requirement to Charge) (Scotland) Order 2008 (Draft)

The Convener: Item 4 is consideration of subordinate legislation on the provision of free school lunches for children in primary 1 to primary 3. This is our first oral evidence-taking session on the order, and I am pleased to welcome from Ipsos MORI Scotland Lorraine Murray, research director, and Chris Martin, associate director. I thank them for their patience in waiting for the committee to reach this item on the agenda, and invite them to make a brief opening statement.

Lorraine Murray (Ipsos MORI Scotland): We welcome the opportunity to discuss our evaluation of the trial. We thought that it would be helpful to give a brief summary of the aims of our research, to clarify exactly what we were setting out to evaluate and what we were not asked to evaluate.

The research specification that was issued by the schools directorate stated that the purpose of the evaluation was to

“assess process and practical issues relating to the implementation of free school meals, together with any early indications of benefits, across a variety of locations to inform roll-out.”

Essentially, we were examining evidence from the five pilot areas to see what lessons could be learned that would help to make the process smoother and easier if free school meals were rolled out in other areas.

More specifically, the objectives were to explore process and practical issues such as the capacity of dining rooms, issues with queueing and scheduling, the impact on workloads, and the impact on the quality and quantity of food and wastage; to measure the change in uptake and explore the reasons for non-uptake; to explore the early indications of health and any other benefits; to examine the impact on costs; and to identify whether there were any unexpected impacts or any barriers to roll-out in other areas.

Given the relatively short length of the pilot, we were not attempting to measure the nutritional impact or the long-term health benefits. Instead, we were looking at any early changes in attitudes and behaviours that might be indicators of potential longer-term benefits. Further, on costs, we were not seeking to make any assessment of value for money. Rather, we were attempting to gather information on the type of costs that were incurred, the range of those costs and whether

there were any unexpected costs. The idea behind that was that other local authorities could use that information, together with the information on uptake and knowledge of their current costs and particular circumstances, to help to assess their own likely costs.

It is worth emphasising, therefore, that we were not attempting to evaluate whether free school meals should be rolled out in other areas and we are not in a position to make a recommendation on that. We were seeking to inform roll-out if it went ahead.

Our principal conclusion is that the implementation of the trial was relatively straightforward. There were no unexpected impacts and, in terms of the process and practical issues, roll-out by other local authorities should not be problematic. The problems that emerged were, generally, minor teething problems that schools felt could be quite quickly remedied through planning and small adjustments to their routines.

12:00

We found that the trial resulted in a significantly increased uptake of school meals. Among the target group of primary 1 to primary 3 pupils who were not previously registered for free school meals, uptake increased from 41 per cent to 69 per cent, and, overall, the uptake among all primary 1 to primary 3 pupils increased from 53 per cent to 75 per cent. That means that a quarter of pupils are still not taking a school meal on a typical day. It was clear from the research that the main reason for non-uptake is that some children are fussy eaters—in the words of their parents—and are not taking a school meal because they are not sure of getting foods that they like.

On the early perceptions of health and other benefits, we found that the trial provided pupils with an opportunity to try new foods, which resulted in pupils asking at home for foods that they had tried at school. In some cases, those were healthier options. When deciding what to eat, pupils tend to pick what they like the taste of. Choosing healthier options is likely to come as a result of pupils trying and enjoying new foods, which means that evidence that the trial acted as a catalyst for pupils' willingness to try new foods is a positive finding.

The Convener: You indicate that uptake increased during the course of the trial. However, the uptake fluctuated in the pilot areas. Could you give the committee a little more information about those fluctuations and the differences between local authorities in that regard?

Lorraine Murray: The uptake figures are based on the census data that we gathered in October, immediately before the trial started, and on the

later February census data, which was gathered in the middle of pilot. We asked for information from local authorities on what the pattern was at those points because we were interested in whether, for example, uptake shot up and gradually fell away or whether it took a while to build up.

We found that uptake increased sharply at the beginning of the pilot in all the areas. However, in three areas, it fell away slightly—not hugely—before steadying off and, in two areas, there was a bit more of a fluctuation over the pilot period. The range of that fluctuation was not huge—even the troughs showed a significant increase on the original level.

Chris Martin (Ipsos MORI Scotland): It is worth emphasising that the uptake figures are based on the proportion of pupils taking a meal on a typical school day, rather than the number of pupils taking a school meal every day. Therefore, the increase to 75 per cent might suggest that, on three out of every four days, all pupils are taking the free school meal.

The Convener: Your report indicates that uptake increased more in the local authority areas in which the proportion of children who qualified for free school meals was lower. Did you do any work on why that was the case? Why was the uptake in the Borders greater than the uptake in Glasgow, where more children per head of population would benefit from a free school meal?

Chris Martin: Uptake increased in the areas that had the lowest levels of registration and in the areas that had the lowest levels of uptake of school meals, whether free or otherwise. Areas with lower levels of uptake had greater increases in uptake and that was seen both among those pupils in the P1 to P3 group who were registered for free school meals and among those who were not.

Lorraine Murray: In areas where there is a higher level of free school meal registration, the uptake tends to be higher, even among those who are not registered for free school meals. Therefore, those areas with lower levels of free school meal registration had lower levels of uptake, so there was more scope to increase uptake in those areas.

Elizabeth Smith: You said that one of the problems about non-uptake is that children are fussy eaters, whatever that might entail. Is there any indication that there are specific types of children from particular backgrounds who have greater difficulty with fussy eating?

Lorraine Murray: No. We did not attempt to measure the fussiness of their eating. Our finding was based on case studies and qualitative research with the parents and pupils. However,

there was no indication that fussiness was stronger in particular groups of children.

Elizabeth Smith: But you say that fussy eating is the “main reason for non-uptake”, and that could mean a problem for policy decisions later. Can you tell us any more about this fussy eating? Did you get much feedback on it?

Lorraine Murray: When we talked to parents, it was clear that, even those parents whose children were not taking school meals—or not taking them every day—were generally keen for their children to take advantage of the free school meal, and a certain amount of negotiation was going on between parents and their children about whether they took a packed lunch.

Elizabeth Smith: What I want to know is whether the issue is about the poor quality of the food or the existence of a free school meal?

Lorraine Murray: No, I do not think it is to do with the quality of the food, although it might be in certain circumstances; I am not saying that that is not a factor at all. However, even if parents think that the school meals are of good quality, they know that their children seem to like particular kinds of food and not be willing to try different food but that they will eat if a packed lunch is provided.

Elizabeth Smith: It could be a policy issue in future, if it is a question of providing a good, wholesome meal that the children do not like as opposed to something that they need. If your evidence had shown anything on that, it would have been interesting.

Lorraine Murray: It is a policy issue. One of the things that we say in our report is that following the hungry for success programme, lots of changes have already been made to improve nutrient standards and other aspects of school meals, including the presentation of food, the atmosphere in dining rooms and so on. The policy issue might be harder to tackle but, to increase uptake still further, we have suggested that one of the main things that might help is an initiative to give parents the skills that they might not feel they have to encourage younger children to try new foods and a greater variety of foods.

Elizabeth Smith: Is your evidence anecdotal or do you have quantitative analysis of that?

Lorraine Murray: When we did a survey of parents, we asked them why their children did not always take a school meal. The main reasons were that the children were fussy eaters, that the children did not like the food, or that the parents knew that they could provide a packed lunch that the children would eat. The main factors seemed to be linked to what children were willing to eat.

Kenneth Gibson: One of the reasons why there might be a lower uptake in places such as the

Borders could be the stigma attached to free school meals. As well as nutrition, that is one of the reasons why free school meals have been introduced. Did you detect that?

Lorraine Murray: No, we did not find a previous problem of stigma, nor did a reduction in stigma emerge as a benefit of the trial. A number of the children to whom we talked in the qualitative research had previously been entitled to free school meals; we also talked to parents of such children, but stigma was not an issue with either group. Previous research that was done for the expert panel on school meals and research by TNS on the baseline value of the hungry for success programme indicates that stigma is not a significant issue, particularly in lower primary.

Kenneth Gibson: The study showed a rise in uptake from 53 per cent to 75 per cent. Falkirk already has a 75 per cent uptake, which tells me that the food there is probably better than in some of the other local authority areas. Perhaps there is an issue with the quality of food, because I do not think that dietary habits vary that much throughout Scotland, to be honest.

Your study noted that there was an increase in uptake, then a reduction and then perhaps a slight increase again. Is that because some of the pupils who took up the meals realised that, free or not, they did not want to eat the stuff? If the policy is to be a success, what would you advocate to improve the quality of the meals? I went to school dinners in my first week in primary 1 and did not go back until my first week in secondary school, after which I never went back because the food was vile. It is still a terrible memory. I am one of the few people in Scotland who has not eaten mince since his first day in primary school because I have never been able even to look at a plate of the stuff since. It is the same with butter beans and mashed potatoes.

There is clearly an issue with the quality of the meals that are served. I realise that there are economies of scale and that the schools in the Borders are smaller, but £4.65 was spent per meal there compared with £1.79 in Fife. Will you talk a bit about the variety of meals that were served? You said that meals did not vary for each local authority, but could steps be taken to improve quality and make it more consistent throughout Scotland to ensure that uptake is significant?

Lorraine Murray: One of your first questions was whether uptake fell off because children went but decided that they did not like the food and did not go back. That was probably the reason why some took up the offer of the free school meal initially and then did not take it up so often.

There will undoubtedly be variations in quality. In some schools, quality will be higher than in others.

However, that did not emerge as the main reason for pupils not taking up the meals. Parents often said that they thought that the quality of the school meals was high; they did not complain about that. Children not taking up the meals was more to do with their having particular tastes and preferences for what they were willing to eat or wanted to eat than with the quality of what was produced. Therefore, improving the quality of the food is not the main issue.

Kenneth Gibson: There is clearly an education issue. The report mentions that some children went home and tried to encourage their parents to provide some of the foods that they got in school because they found that they preferred them to a sandwich and a bag of crisps in a lunch box. Do we need to educate parents and children further to get them to explore different types of food at home? If the free school meals policy is implemented, a significant minority of children will still not be able to benefit from it for whatever reason and we want to try to minimise that group.

Lorraine Murray: Absolutely. That is one of the things that we said. To get the maximum benefit from the policy, it must be not only about children having the school lunch but about influencing their choices and diet beyond primary 3 and at home. Anything that allows parents to take advantage of whatever their children have tried and enjoyed at school to produce more nutritious food at home has to be good and will help to maximise the policy's benefits.

12:15

Kenneth Gibson: Many local authorities are concerned about the costs of implementation, particularly with regard to additional staff, even though that will create employment opportunities; additional kitchen facilities, if necessary; and the dining halls themselves. Given the many positive suggestions made in the research paper about

"staggering the times pupils arrive at dining area ... setting tables in advance ... operating different queuing systems ... allowing slightly lengthened lunchtimes"

and

"using alternative accommodation",

do you think that the policy can be implemented with fairly minimal capital costs to local authorities, or do you still think that to achieve a 22 per cent average increase—if that is to be the increase—some authorities will have to make significant capital investment?

Lorraine Murray: Individual circumstances will vary. Some schools might well require considerable capital investment, but we found that very few schools had to make major structural changes such as extending kitchens or building

new dining halls. I do not think that, across all the local authorities, building costs will be a major issue; costs are more likely to be incurred in increasing staffing levels, food and so on.

Margaret Smith: On the policy's various impacts, we are beginning to hear from councils about the impact of staggering lunch times on other aspects of the school day. What feedback have you received from school staff on such knock-on effects?

Lorraine Murray: We found that the whole lunch hour tended not to be staggered; instead, pupils in primary 1 and primary 2 were let out five or 10 minutes early to give them more time to be cleared through and to get their food from the serving hatch before the other classes arrived. We are not talking about major changes to the school day, but that five or 10 minutes will obviously have an impact on some classes.

The lunch hour was staggered in that way in six of the 10 schools on which we carried out detailed case studies. Overall, 16 per cent of schools said that they staggered the lunch hour, but we are not absolutely clear whether they simply let primary 1 pupils out five minutes early or whether they staggered things in a slightly more significant way.

Margaret Smith: I am delighted to hear that the committee's aim is to discover the fussy eating gene, because that will be very helpful in my household. Never mind the fact that children do not try different types of food until their first day at school; I have a child who tried nothing but pizza until he went to university.

As parents know, a lot of food can be wasted, particularly when younger children are introduced to new foods. Did wastage emerge as an issue?

Lorraine Murray: There was a concern that wastage would increase because the children who had not taken—and presumably had not wanted—school meals before would be more likely to bin more of the food. Although we did not specifically measure wastage levels in the pilots, catering staff and supervisors in the dining room told us that they felt that wastage had stayed at proportionately the same level. The amount of food that was being wasted certainly had not increased significantly.

Ken Macintosh: Is the paper that we have a précis? I take it that there is a longer document.

Lorraine Murray: That is right.

Ken Macintosh: I am afraid that I do not have that with me, but perhaps the figures I am looking for are in the shorter paper. What was the range of uptake across the five authorities at the beginning of the pilot and where did they all end up? The paper that I have seems to give only the average uptake.

Chris Martin: Before the trial began, 35 per cent of pupils in Glasgow took free school meals. The Scottish Borders had the lowest uptake at just under 10 per cent.

Lorraine Murray: I think that those are the figures for registration for free school meals. *[Interruption.]*

Among all P1 to P3 pupils, which includes both those who registered for free school meals and those who did not—

Ken Macintosh: I am simply trying to work out the variance.

Lorraine Murray: In Glasgow, uptake for all P1 to P3 pupils was 62.8 per cent.

Chris Martin: That is right. Uptake ranged from 63 per cent in Glasgow to 37 per cent in the Borders.

Ken Macintosh: So uptake in the Borders increased from 10 per cent to 37 per cent.

Chris Martin: No. Before the trial began, uptake in the Borders for all P1 to P3 pupils was 37 per cent. That figure rose to 67 per cent. In Glasgow, uptake before the trial was about 63 per cent and increased to about 78 per cent. Before the trial began, there was a considerable gap in uptake between the authorities; there is still a gap, but it has narrowed as a result of the trial.

Ken Macintosh: The variation in costs is both interesting and slightly worrying. Were you able to assess how much each authority spent on the food for each school meal?

Lorraine Murray: Because we asked local authorities what they had spent on the additional meals, we know what they spent on food. However, we did not try to assess or audit value for money to find out the reasons for such variations.

Ken Macintosh: I might be wrong, but I get the impression that, although the authorities expanded school meal provision, they pretty well kept the same kind of provision. In other words, if, before the trial, a meal in a local authority cost an average of £1.50 per pupil, it continued to cost £1.50 during the trial. I am just interested to find out whether some authorities are spending 75p or £2.50 per pupil.

Lorraine Murray: There is quite a variation between authorities on the amount spent on additional meals for the trial. In Fife, for example, the food cost of each additional meal was 72p, while in West Dunbartonshire the cost was £3.05. I do not know why such a variation exists, although we checked that the West Dunbartonshire figure was the additional cost for food alone and did not incorporate some other costs.

I point out that these costs come with a caveat; we asked for them under particular headings, and there might be some variation in what is included because local authorities have different accounting procedures, calculate things differently or whatever. I agree, though, that the variation seems quite large.

Ken Macintosh: I am trying to work out which factors we can allow for. We can make a general assessment of the impact of school meals being free, but we can also work out the impact of meal quality. You say that

"The quality and quantity of food ... was not seen to have changed".

The quality may not have changed, but I imagine that whether it was very good or very poor had an impact.

Lorraine Murray: Yes, but in no area did the quality or quantity of the food emerge as a reason for non-uptake. Gaps in uptake narrowed between areas. Areas did not significantly change their provision, which suggests that the issue is not the quality or quantity of food but a range of other factors.

Ken Macintosh: I can see why you think that, but if uptake starts low and moves to the maximum, gaps will always narrow—nothing can be done about that, as you know. That must happen.

Lorraine Murray: If the reason for the low uptake by children in the Borders was that the food quality there was terrible, we would not expect the uptake to increase by much.

Ken Macintosh: That is what I am trying to get at. Where did the figures end up? Does a cap apply? Many factors come into play when we are trying to work out what encourages pupils to take advantage of a school meal—free or otherwise. You discount the quality and quantity of food and you have no figures on whether the pilot had an impact at home, but a key policy motivator was to improve nutrition among young people and to improve eating habits. If the pilot did not achieve that, it was perhaps in vain.

Lorraine Murray: The evaluation shows that uptake increased. One presumption of the policy is that because nutrient standards for school meals are strict, an increase in uptake is a good thing and will have had a positive impact on children's nutritional intake.

Another finding was of some evidence that children were willing to try new foods and were asking for new foods at home. We were not able to quantify that, but that suggests that the pilot had an impact on willingness to try new foods and on what children asked for at home. However, we did not set out to measure the nutritional impact.

Chris Martin: On potential changes to food quality, it is worth noting that uptake in the same period among primary 4 to primary 7 pupils, whom the trial did not target, increased marginally. That uptake might have been expected to drop if food quality decreased during the trial.

Ken Macintosh: I did not expect food quality to decrease—quite the opposite. I expected it to increase substantially, but I do not know whether it did.

Did you consider factors such as peer pressure, which is a big issue at primary school? My kids eat as quickly as they can and run outside. Sometimes, eating is just something that is between them and playtime.

Lorraine Murray: What children's friends do influences what they do, particularly because pupils who have packed lunches often sit separately from those who have a school meal. That was not the biggest factor, but a proportion of pupils said that they took or did not take a school meal because of what their friends did.

It is important to realise that although some pupils take school meals every day and some never do, those who sometimes take school meals are a significant proportion. One impact of the trial was that, instead of taking a school meal once or twice a week, some of those pupils had a school meal three or four times a week. That was part of the increase in uptake. When pupils decide on which days to have school meals, knowing whether their friends are taking a packed lunch sometimes has an effect.

Ken Macintosh: There is obviously a lot of anecdotal evidence in the research findings.

Lorraine Murray: It is qualitative research rather than anecdotal evidence.

12:30

Ken Macintosh: Sorry—I am not trying to dismiss or diminish it at all. It is qualitative research that is supplemented by some anecdotes.

Lorraine Murray: I did not put any anecdotes in there.

Ken Macintosh: I am trying to suggest that it would chime with most people's experience of kids looking at the menu and deciding that it is a good day to have a school meal. Did you examine nutritional uptake at home? Were the children getting a good-quality packed lunch before the trial? Was their nutrition affected, for better or for worse, by the free school meals?

Lorraine Murray: We did not attempt to carry out any assessment of the children's nutritional intake before or after, because of the length of the

trial and the length of time from the announcement and the commissioning of the evaluation to the start of the trial. There was not sufficient time to gather the baseline evidence that we would want in order to make an accurate measurement.

Ken Macintosh: I should know this: are the trials continuing in the five authorities? Are there plans to carry out any further assessments?

Lorraine Murray: My understanding is that the trials stopped in June, at the end of the school year.

Ken Macintosh: So people are paying now, in the very authorities in which the scheme was piloted?

Lorraine Murray: Yes.

Elizabeth Smith: Did you get any indication of whether the children who took school meals, but did not before the trial, were the ones who were most in need of a good square meal? Do your statistics show any trends there?

Lorraine Murray: Uptake among the group of children who were not previously entitled to free meals was very similar in more deprived areas and less deprived areas. There was not a greater uptake in one area.

Aileen Campbell: Kenny Gibson asked about stigma. You said that nothing had come through in any of the evidence that you collected to suggest that there had been any reduction in stigma, or that stigma was a factor at all. Were any of the schools in which the pilot was being operated using techniques to try to reduce stigma, such as smart cards? If they were using such things, I guess that that would mean that nothing on stigma would come through in the research.

Lorraine Murray: I do not think that the schools used smart cards, which tend to be used in secondary rather than primary schools. There were various methods for payment, which would have made it more or less obvious who was entitled to a free school meal, but it is not something that we examined in detail. In a lot of schools, the children would pay their money at a separate till and then go to the queue. It was probably not particularly anonymous before, but I would not want to give any figures on how many schools were doing that and which different systems were operated.

Aileen Campbell: Are there more details in the full report about the situation in those schools before the pilot started?

Lorraine Murray: Not in terms of systems for anonymity in relation to free school meals.

Aileen Campbell: You say that there has been an increase in uptake in primary 4 to primary 7. Were there any reasons for that?

Lorraine Murray: Sometimes it was because there was a younger sibling—some parents said that they could now afford for their older child to have a school meal because they did not have to pay for two or three children. Sometimes the older sibling heard about what the younger sibling was having for lunch: if the younger child was talking about enjoying it, the older child would be tempted to try it. Those were two factors that emerged; I am not sure whether there are any others. It was a small, rather than a large, increase.

Chris Martin: Uptake increased from 47 per cent to 50 per cent for all P4 to P7 pupils. That is a reasonable increase.

Lorraine Murray: The concern was that uptake might decrease because queues were longer or food choices were reduced.

Aileen Campbell: Were all children in the school, not just children in P1 to P3, aware of what was going on?

Lorraine Murray: We observed what was happening in dining rooms and spoke to children in P4 to P7 at lunch times in the case study schools. Some children were aware of what was happening, but many were not. I do not think that P1 to P3 pupils were particularly aware of the change.

Aileen Campbell: Were meals cooked in some of the schools? If so, did you find differences between what was said about meals in those schools and what was said about meals that were shipped in from contractors?

Lorraine Murray: Uptake was greater in schools that had on-site facilities and it was suggested—I think by local authority catering managers rather than by parents or pupils—that when there are off-site arrangements a narrower range of food is available and the quality is perhaps not as good.

Aileen Campbell: Was there a significant difference in uptake, depending on where meals were cooked?

Chris Martin: In the group to which the trial was extended, about 50 per cent of pupils took up the offer of a free school meal when there were on-site facilities, as opposed to about 41 per cent when food was cooked off site. The difference was about 10 per cent.

Aileen Campbell: That is interesting.

Kenneth Gibson: The same situation applies in hospitals. Food that is prepared off site and brought in is never as appetising and fresh as food that is prepared on the premises.

What were the levels of uptake in Fife at the start and finish of the trial?

Chris Martin: Uptake among P1 to P3 pupils at the end of the trial was 76 or 77 per cent, which was an increase of about 27 per cent.

Kenneth Gibson: So the starting point was about 50 per cent. Uptake in Fife at the end of the trial was almost 10 per cent higher than uptake in the Borders, although in the Borders the average meal cost £4.65, compared with £1.79 in Fife. That difference is intriguing. I realise that rurality in the Borders means that unit costs are higher, but the difference is substantial.

As Kenneth Macintosh said, you noted in your report that the quality of food did not vary much between the commencement and the end of the trial. That is important, because if it were not the case one could suggest that the uptake figures were skewed by improvements in food quality and quantity. I am a bit frustrated, though, because it would have been interesting to improve quality in half the schools, so that we could compare the results—we could have compared uptake in schools in the same local authority area. I am sure that substantial differences would have been identified.

You mentioned a 2.6 per cent increase in uptake among P4 to P7 pupils. I have three children and my wee boy likes to have lunch with his sister, which is nice. If lunch times are staggered, there might be an adverse impact, in that older kids might not be able to have lunch with their siblings. If they do not go into the dining hall at the same time, they cannot sit together.

Lorraine Murray: I am not sure how often that happens, because even when lunch times are not staggered children queue with their class—there will be a P1 queue, a P2 queue and so on. I suspect that siblings from different classes do not often sit together, but you gave a nice example of that happening.

Kenneth Gibson: My kids walk home holding hands and everything.

Lorraine Murray: You asked about the costs for Scottish Borders Council being significantly higher than those for Fife Council. A lot of that was to do with the large number of small schools in Scottish Borders, where having to employ one extra member of staff might have doubled the staffing. Because the proportionate change in the number of meals that Scottish Borders served was substantial, it had substantially more changes to make, including buying equipment. Those costs should not be read as an indication of the quality of the meals; an awful lot of other factors were involved.

Kenneth Gibson: I would imagine that unit costs fall as the number of pupils who take up free school meals increases, although local authorities will no doubt come to us and talk about financial

pressures, which is completely understandable. Will there be a disincentive to improving the provision of free school meals—will councils be worried about having to pay for the additional uptake? Have you had any feedback on that?

Lorraine Murray: We did not ask local authorities about that.

Kenneth Gibson: I know that my question might sound a bit cynical.

Lorraine Murray: I suppose that what you suggest is technically possible. If local authorities do not want to pay for free school meal provision, there might be less incentive to promote it—that is a possibility.

Claire Baker: I have a couple of questions, one of which follows on from a question Liz Smith asked. For pupils who were not previously free school meal registered, deprived and less deprived areas had the same uptake. I was trying to tie that to the overall statistics for pupils who were not registered, among whom the uptake of free school meals increased from 40 per cent to almost 70 per cent, whereas uptake among those who were registered increased from 89 per cent to 93 per cent or thereabouts. The increase was much smaller for those who were entitled to be registered and much bigger for those who were not registered. I was trying to look behind those figures, because I could not understand the situation for the least deprived and deprived areas. On the one hand there is the likelihood of pupils taking up the offer of free school meals; on the other, there is the number of pupils who would benefit. Does the net number of pupils who benefit tend to be higher in the least deprived areas than in the more deprived areas? Does that make sense?

Lorraine Murray: In the least deprived areas, free school meals are being extended to a larger number of pupils.

Claire Baker: That is fine. I was interested in the increase in the figures for Fife Council and Scottish Borders Council, which went up 32 per cent. I wonder whether the full report has a breakdown of areas in Fife that shows where the variations are. Fife is a big region with a lot of variation in terms of deprived and less deprived areas. It would be interesting to know where the FSM policy was impacting in Fife and which area benefited most from it. The assumption would be that the least deprived areas would benefit most. The issue is whether that assumption is backed up.

Lorraine Murray: I am not sure that we would say that the least deprived areas benefited most. We are saying that uptake was pretty much the same in deprived and the least deprived areas. I

would not say that, in terms of absolute numbers, there was more benefit in the least deprived areas.

Claire Baker: That is what I was looking for.

Lorraine Murray: We have not looked at specific areas within local authorities. We looked at the differences between local authorities and between deprived and less deprived areas across all the areas.

Claire Baker: But there is no further breakdown for the Fife figures and for those in Glasgow?

Lorraine Murray: No.

Claire Baker: You indicated that the pilots have now stopped and that we are waiting for the roll-out of the policy. Is work being done to track what is happening in the pilot areas now that the policy has stopped?

Lorraine Murray: Not that I am aware of. I assume that those local authorities will do what they normally do and keep track of the number of meals served and so on. I imagine that they will have figures on what is happening. In addition, the annual school meal census in February will show what is happening. However, the school meal census does not normally break down the figures to individual primary classes, whereas we did that for the trial areas. I do not know whether there are plans for the February census to break down the figures for those areas into primary 1 to primary 3, and primary 4 to primary 7.

12:45

Aileen Campbell: There is a bit in the research findings about enhancing

“parents’ skills in encouraging young children to eat a wider range of foods”.

Did parents give you feedback about what kind of support they would like to help them do that?

Lorraine Murray: Not specifically. They indicated that they were pleased that their children were trying new foods. They said things like, “I wish I could get them to eat that”—whatever “that” was. They also indicated that they had tried, unsuccessfully, to encourage their children to eat particular foods, but that when their children saw their friends eat such food at school, or had been offered it in a school context, they tried it. But parents did not have particular suggestions about what might help.

On suggestions about what would help them produce at home food that their children would like, some parents specifically asked for recipe cards or for more information on what exactly was in particular dishes, so that they could try to reproduce them.

Aileen Campbell: Like “Shark Infested Mince”?

Lorraine Murray: Yes.

Aileen Campbell: Did any children have difficulty sitting down and eating with a knife and fork? If I recall correctly, we heard in a previous evidence session that children not knowing how to do that was an issue.

Lorraine Murray: That is sometimes a problem with primary 1 children. There did not seem to be an increase in the number of primary 1 children who needed such help, but we did not specifically look at that aspect. I do not think that the trial had a particular impact on that problem.

Kenneth Gibson: Was there any variance in how local authorities promoted the trial in their areas? Was there any variance between schools in how it was promoted? Did all five local authorities have the same approach or did their approach vary? For example, did some decide to promote the trial at local authority level or was it devolved to headteachers and classroom teachers?

Lorraine Murray: I think that it was generally a bit of both, but quite a bit was done at local authority level. It is worth saying that our survey of parents found that 98 per cent of them were aware of the trial and knew that their children were entitled to free school meals. The lack of awareness of the policy was not really a problem.

Kenneth Gibson: Sorry—my question was not about awareness but about encouragement.

Lorraine Murray: That is true. We did not look in detail at the different marketing materials or try to compare what different areas were doing, but there were many similarities. Most areas used radio advertisements, sent letters home to parents and sent out menus, but I do not know exactly how the methods in different areas compared.

The Convener: That concludes our questions to you. I thank you for your attendance and your patience with the meeting’s timing.

12:48

Meeting continued in private until 12:53.

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