

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 3 May 2000
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

10th Meeting 2000, Session 1

CONVENER

*Mr John Swinney (North Tayside) (SNP)

DEPUTY CONVENER

*Miss Annabel Goldie (West of Scotland) (Con)

COMMITTEE MEMBERS

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

*Nick Johnston (Mid Scotland and Fife) (Con)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*George Lyon (Argyll and Bute) (LD)

*Ms Margo MacDonald (Lothians) (SNP)

*Mr Duncan McNeil (Greenock and Inverclyde) (Lab)

*Dr Elaine Murray (Dumfries) (Lab)

*Elaine Thomson (Aberdeen North) (Lab)

*Allan Wilson (Cunninghame North) (Lab)

*attended

WITNESSES

Graeme Dickson (Scottish Executive Enterprise and Lifelong Learning Department)

John Henderson (Scottish Executive Finance Section)

Jim Logie (Office of the Solicitor to the Scottish Executive)

Nicol Stephen (Deputy Minister for Enterprise and Lifelong Learning)

Gillian Thompson (Scottish Executive Enterprise and Lifelong Learning Department)

David Wilson (Scottish Executive Enterprise and Lifelong Learning Department)

CLERK TEAM LEADER

Simon Watkins

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Mark MacPherson

LOCATION

Festival Theatre

⌘ 9th Meeting 2000, Session 1—held in private.

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 3 May 2000

(Morning)

[THE CONVENER opened the meeting at 10:05]

The Convener (Mr John Swinney): Good morning. I bring this meeting of the Enterprise and Lifelong Learning Committee to order. Before we consider item 1, I want to raise a number of points with members.

First, I understand that the damage caused by mobile phones—even on silent mode—and pagers to the sound system is graver in this building than elsewhere. I encourage members to switch off their phones and to put their pagers on silent mode.

Secondly, does the committee agree to take item 4, when we will agree our final report on the local economic development inquiry, in private?

Members indicated agreement.

The Convener: Thirdly, the clerks have distributed, or are in the process of distributing, two sets of papers for the meeting of the committee on Friday, when we will begin our consideration of the Education and Training (Scotland) Bill, which has now been published. The committee will meet at 9.30 am on Friday morning in committee room 1.

Budget Process

The Convener: Item 1 on the agenda is the budget process. I am pleased to welcome to the meeting the Deputy Minister for Enterprise and Lifelong Learning, Nicol Stephen. I invite the minister to introduce his team, then I will ask him to make some introductory remarks.

The Deputy Minister for Enterprise and Lifelong Learning (Nicol Stephen): Thank you, convener.

Graeme Dickson is the head of higher education, science and student support in the Scottish Executive enterprise and lifelong learning department. David Wilson is the head of the enterprise network and tourism division and John Henderson is the head of education, enterprise and lifelong learning in the Scottish Executive finance section.

The Convener: For the benefit of members, we have a number of documents that are relevant to this agenda item. We have a letter from Mr Douglas Baird of the Scottish Executive finance team on issues raised by the committee during our last discussion of the budget process and an extract from "Investing in You: the Annual Expenditure Report of the Scottish Executive", on the enterprise and lifelong learning department. We also have letters from the convener of the Finance Committee and the convener of the Equal Opportunities Committee on relevant issues. Finally, we have received from the Finance Committee the pro forma that it recommends the committee use for the budget scrutiny process.

Having given that background information, I invite the minister to make any opening remarks that he may wish to make to the committee before we move on to questions.

Nicol Stephen: I will keep my opening remarks brief. Members will see from the proposed cash expenditure that the enterprise and lifelong learning department's budget for 2000-01 is £1,881 million and, in 2001-02, we plan to spend £1,992 million. The latter figure has been adjusted so that it is a real-terms figure and represents an increase in expenditure in 2001-02.

The money is being spent in pursuit of our overall objective of creating a more prosperous Scotland. At the heart of the programme for government is the need to continue to work at creating a culture of enterprise, supporting business, encouraging innovation, equipping people with skills and delivering the lifelong learning agenda.

Those aims can be delivered only in partnership and will require major efforts by all the partners involved, not only in the public sector but in business and industry. Our education system is of growing importance, whether that involves schools—which is not the subject of the enterprise budget—or the lifelong learning element of education, including colleges and universities. The education system is crucial to the creation of a true learning nation and of a knowledge economy.

Our key priorities include the creation of a culture of enterprise in Scotland, the development of the skills needed for the knowledge economy and the improvement of innovation in business. Innovation does not only mean the commercialisation of what is taking place in our universities and colleges, as it includes what is happening right across the sectors, from small businesses to the largest businesses. Other key priorities are assisting and supporting business competitiveness and embedding a belief in personal responsibility for lifelong learning.

Of the final two key priorities, one in particular—widening access to further and higher education and considering the proposals of the Cubie committee—has received a lot of attention over the past 12 months. That priority is of crucial importance, but other aspects of the Scottish Executive's agenda address it. The final priority is helping to reduce regional imbalances, such as the east coast-west coast imbalance, which is often spoken about. The successes and the momentum of the economy in Edinburgh are often compared and contrasted with Glasgow's economy. However, there are also important imbalances between rural Scotland and the rest of Scotland. Our priorities are to reduce those imbalances.

I will stop there, as I know that members have already run through this matter with officials. Members will have received further information in writing in response to some of the questions that were raised at the beginning of April. I have looked at the figures at the back of that letter and, given the committee's steer, I have tried to focus on the real-terms figures, which are, in many ways, more helpful than the cash figures. However, it is for the committee to decide which tables and documents to refer to. On occasion, you may need to give me a couple of seconds while I switch from one document or table to the next, but I am delighted to take questions.

The Convener: Thank you, minister. The committee appreciated the response from your civil servants on the points that were raised at our previous meeting and the fact that that response came timeously. That helped to prepare us for this process.

Let us start with the tables, to get the base points absolutely correct. You mentioned the sum of £1,881 million, which is to be spent in 2000-01. I see that you got that figure from table 3.1 on page 38 of "Investing in You". There are different figures in table 1, which is on page 6 of that document. Under the enterprise and lifelong learning heading table 1 gives £1,884 million and £1,995 million. Can you clarify the composition of those figures? What is the baseline budget for the department?

Nicol Stephen: The short answer is that I cannot clarify that—I will ask John Henderson if he can shed any light on that point. I see exactly the figures that you refer to, convener.

John Henderson (Scottish Executive Finance Section): The figures should be the same—I can only assume that there has been some error, for which I apologise. However, I must check the position—

The Convener: If you go down page 6 to table 2, there are some additional figures that arise from budget 2000. Even trying various kinds of

arithmetic, I could not get the figures to tally. I was not sure whether the additional expenditure arising from the budget announcement that the chancellor made in March this year was included.

John Henderson: No. The figures from the 2000 budget are not included in table 3.1. Neither are they included in the table above the budget figures. I will have to come back to explain the discrepancy between the two figures. It may be an error.

Nicol Stephen: The figures for the first two years—1998-99 and 1999-2000—are broadly the same.

The Convener: The confusion relates to the figures for 2000-01 and 2001-02.

Does table 3.2 include an allowance for the announcements that have been made regarding the Government's response to the Cubie committee?

Nicol Stephen: No, it does not.

10:15

The Convener: Does table 3.9 take into account the £11 million of new resources for tourism that were announced in February this year?

Nicol Stephen: No, it does not.

The Convener: Where in the figures that we have in front of us does the money for tourism and student finance appear?

Nicol Stephen: I refer you to the letter of 20 April and the tables at the end of it. It is perhaps more helpful to refer to the real-terms figures, but it is not crucial which set of figures I refer to.

The Convener: If it is helpful for your purposes to use annexe A of the letter from Douglas Baird as the starting point for our discussion, we can do that.

Nicol Stephen: I refer you to table 3.11, which gives the real-terms figures. In that you will notice an unallocated figure of £35 million in 1999-2000, which was discussed at the committee's previous meeting. The letter explained that those funds had not been allocated, which meant that there was end-year flexibility—in other words, the total budget of the department had not been spent. The unallocated figure in table 3.11 is money that had not been spent by the department at the end of 1998-99. It was carried forward into 1999-2000 and, because it had not been allocated by the end of 1999-2000, it continues to be unallocated and is classed as end-year flexibility. The Cabinet has agreed that money from end-year flexibility will be available to the department concerned, subject to a 25 per cent reduction, which will be centralised in a fund for which the Cabinet will have

responsibility. However, that money can still be bid for by the department concerned. The other 75 per cent is for the department to allocate as it sees fit.

The decision has been taken to use that end-year flexibility to cover the Cubie costs, which are £22 million net for 2000-01—that is the amount that will need to go to the Student Awards Agency for Scotland. The gross figure is £27 million, which is the figure that is quoted in the published documents. That is the cost of abolishing tuition fees starting from autumn this year. With Graeme Dickson's support, I can explain the difference between the gross and net figures in more detail. The cost to the enterprise and lifelong learning department in 2000-01 of the Cubie package is £22 million. The cost of the tourism element is £5 million. That falls within the 75 per cent of end-year flexibility that is available.

The Convener: So the figure for tourism is not £11 million, but £5 million.

Nicol Stephen: The money is over two years.

John Henderson: My understanding is that the figure for tourism is £5 million and that it is simply for this year—it is a one-off.

David Wilson (Scottish Executive Enterprise and Lifelong Learning Department): I confirm that the figure is £5 million additional funds for tourism in 2000-01.

Nicol Stephen: Do you have the figure of £11 million?

The Convener: The minister's press release of 16 February states that he announced

"a £11 million boost for the industry".

That is where my figure of £11 million came from. I am mystified as to why the figure is now £5 million.

David Wilson: There is £5 million for 2000-01, which is not included in these figures.

The Convener: So there is £5 million new tourism money for 2000-01.

Nicol Stephen: That is correct.

George Lyon (Argyll and Bute) (LD): You have asked a number of the questions that I was planning to ask, convener.

The Convener: My apologies. I am sure that you will manage to think of a couple more.

George Lyon: Do you know how much of the extra money that is being allocated to education this year as a result of the chancellor's statement will come to the enterprise and lifelong learning department for the higher education sector? Has any thought been given to how that money should be spent?

The budget for Highlands and Islands Enterprise

shows a real-terms decline. I am concerned that that budget is being reduced when much of the Highlands and Islands still faces huge challenges, especially as regards matching funding for the replacement objective 1 money that is available. Can you explain why the budget for Highlands and Islands Enterprise is being reduced in 2001-02? Is it expected that the extra money that will flow into the Scottish budget as a result of the chancellor's announcements will lead to that reduction being reversed?

Nicol Stephen: With the exception of the health spending commitments, which have already been announced, the Cabinet has still to decide how the extra funds that have been made available by the chancellor will be allocated. It has been indicated that the extra funds designated for primary and secondary schools will be made available to Scottish primary and secondary schools, but the other funds have still to be allocated. It is for the enterprise and lifelong learning department to present the case for extra spending on further and higher education, although the budget figures that are before the committee indicate that there is already a real-terms increase.

George Lyon: Does the department intend to make a bid for some of the extra money? I am sure that we would want to know that that is going to happen.

Nicol Stephen: Several bids for extra money, both for this year and for subsequent years, are being discussed. I do not have the details of those and I do not believe that they would be made public at this stage.

There are clearly specific pressures in regard to Highlands and Islands Enterprise. I know that a request for additional funding was made. Partly because of the additional pressures on the department—the costs of additional funding for tuition fees and student support, and of additional moneys for tourism—it was not possible to respond to that request at this stage. However, the door has been left open and it has been indicated to Highlands and Islands Enterprise that, if additional pressures continue, the situation will be assessed over the coming two years.

I realise that the figures show a real-terms decline. It is perhaps helpful to look at annexe B of the letter. The second page shows the real-terms figures for Scottish Enterprise and Highlands and Islands Enterprise. Under Scottish Enterprise, the provision for other training goes up dramatically in 1998-99, which is the base year, from £1 million to £26.7 million, because individual learning accounts, the Scottish university for industry and other items were being introduced. However, the real-terms increase for Highlands and Islands Enterprise is non-existent: its funding stays fixed at £0.6 million.

There should be some reallocation, as individual learning accounts apply every bit as much in the Highlands and Islands Enterprise area as they do in the Scottish Enterprise area. Some of that £26.7 million in 2001-02, and some of the £22.6 million in 2000-01 should be allocated to Highlands and Islands Enterprise. That would mean Highlands and Islands Enterprise would have a standstill in funding rather than a real-terms reduction.

The Convener: I understand the point that you are making in relation to skills development. However, in tables 3.7 and 3.8, which show business support, there is a substantial real-terms increase in Scottish Enterprise's business support budget but a somewhat static position for business support—or growing businesses, as it is called—in Highlands and Islands Enterprise.

Nicol Stephen: There are underlying reasons for that, which could be concerned with major projects. Before I address that point, I would point out that there is a drift in some of the other training budgets, which are mainly demand driven and concern the expected number of young people who are out of work. That is the second point to make about those tables. There is a misallocation of some of the funding, which has been put into the Scottish Enterprise section instead of into the Highlands and Islands Enterprise section, and there has been drift in some of the spend on demand-led programmes in relation to training for young adults.

Perhaps John Henderson has some information about what is included in table 3.7 that creates such a dramatic difference.

John Henderson: As the minister pointed out, several major projects are taking place in the south of Scotland. It was expected that, in 2001-02, the Hyundai development at Dunfermline would start up again. There is provision in the budget for that. Other major projects are taking place, such as the millennium canal project in the lowlands and the Glasgow science centre. They are being supported. That is part of the explanation: there are some large, lumpy projects around that need to be covered.

George Lyon: You said that spending bids have been made to the Executive for extra resources and that you have not closed the door to Highlands and Islands Enterprise. Should I draw from that the conclusion that one of those bids is for extra money for Highlands and Islands Enterprise?

Nicol Stephen: It would be wrong of me to start listing bids that have been made to the Executive. I do not have the document in front of me and it would probably not be appropriate for me to make those bids public in any event. We are aware of the issues that are of importance to this committee

and individual MSPs and we have considerable sympathy for the problems that are being faced in the Highlands and Islands area. If there were any scope for additional expenditure beyond the commitments that we have already made to the Cubie recommendations and to tourism, they would be our key priorities.

Within the Scottish Enterprise budget there has been scope for significant changes in what has been anticipated. Similarly, I hope that there will be the opportunity to be flexible in regard to Highlands and Islands Enterprise and to reallocate funds to areas of particular pressure. We would like to discuss further with Highlands and Islands Enterprise how it copes with pressures such as those that have been created by the Barmac redundancies and other problems that have been experienced in its area, and ways in which funds might be reallocated to ensure that appropriate support is given.

The Convener: Thanks, minister.

10:30

Allan Wilson (Cunninghame North) (Lab): I raise again the question that I raised at the previous meeting, although it has been answered in part during the interim. You talked about reducing regional imbalances, which I strongly favour. One of the principal mechanisms for doing that is regional selective assistance and the priority plus scheme therein. The point that I raised at the previous meeting, at which we were given the original figures—although the situation does not seem to have been changed by our receipt of the real-terms figures—related to the potential dip in regional selective assistance that arose out of the collapse of the Hyundai project. The response indicates that the day on which you wrote the letter was the same day on which the Motorola project effectively replaced the Hyundai project in the list of departmental priorities.

I presume that the moneys that were originally earmarked for Hyundai were reallocated to Motorola, which would have a consequential impact on both the projected and real-terms outturn figures that are quoted. Does that have any effect on the targets for creating new jobs or supporting existing jobs? What of the Executive's plans to review the levels at which regional selective assistance is paid? How does that equate with those targets? Is it our intention to support more jobs or fewer, or the same number of jobs with more money, and how does that impact on your budget projections?

Nicol Stephen: I refer Allan Wilson to two of the tables in the annexe to the letter. The first, table 3.10 on the second page of annexe A, shows the real-terms figures and is headed "Departmental

Investment Assistance". The first line—"Regional Selective Assistance"—shows that the 1998-99 outturn figure was £70.6 million and that the estimate for 1999-2000 is £74.5 million. In the plans for 2000-01, £66.8 million is estimated, and in those for 2001-02, the estimate is £78.2 million. The dip in the 2000-01 figure is directly related to the Hyundai project. The rise in the figure for 2001-02 is also related to that project.

Annexe D shows that for the Hyundai project, the figures for post-comprehensive spending review provision in 1999-2000 and 2000-01 have become zero, but for 2001-02 the provision has been kept in. Of the £30 million shown, £10 million is departmental investment assistance—which is the regional selective assistance—and £20 million is in the Scottish Enterprise budget.

A significant amount of funding will be required for the new Motorola project, which is on the same, if not a larger, scale. There will be significant elements of Scottish Enterprise and RSA support for that project, some of which is already planned for 2001-02. We are dealing with large projects and large—

The Convener: Will the Motorola time scale conclude by the end of the financial year 2001-02, in terms of RSA and Scottish Enterprise input?

Nicol Stephen: No, I believe that it will roll forward over a number of years. We will budget for that as best we can. Given the nature of these projects, we will all—including members of this committee, I am sure—want to keep in touch with developments, because they could affect quite significantly the figures that we are looking at.

David Wilson: Expenditure on the Motorola project will commence this year and will flow through to 2003-04. To a certain extent, there will be another rephasing of spend for that project. There will probably be less expenditure in 2001-02 on the Motorola project than had been expected on the Hyundai project, but the expenditure may be greater in future years. That is another phasing issue that we are considering in some detail.

The Convener: Will that lead to another claim on the unallocated expenditure for 2000-01, to add to the claims of tourism and Cubie?

David Wilson: No. Money for 2001-02 will come from existing RSA and Scottish Enterprise budgets, not from the unallocated budgets.

The Convener: So there will be no change to the figures in table 3.10 as a result of the Motorola development?

Nicol Stephen: The real-terms figure of £66.8 million for this year will remain. That leads me on to an important point. Regional selective assistance is demand-driven. It is dependent on projects coming forward and being approved.

In this committee in early April, you discussed the balance between the number of projects from indigenous companies and the number of inward investments. A figure of £74.5 million is given for 1999-2000 in table 3.10. We do not yet have the final outturn figures; they are not expected until August. The final figure may well be lower. As Allan Wilson has suggested, it is appropriate to consider further the way in which we can ensure that the number of projects that come through is maintained.

There has been a delay in the approval of the RSA map, and there are various reasons why it is important that we reconsider the whole RSA situation and that we continue to try to be innovative, as we have been, with the use of RSA. For local companies and for major new projects such as the Motorola one, we must ensure that we continue to generate the level of investment that has been generated in the past. We must also ensure that the RSA budget continues to be well used and that we continue to generate our target number of net additional jobs.

The situation inevitably varies from year to year; it is difficult to spot trends. However, we must continue to make effective use of those funds, because they are vital to the package of economic and enterprise development that the enterprise and lifelong learning department funds.

Nick Johnston (Mid Scotland and Fife) (Con): I would like to go back to paragraph 11 of Mr Baird's letter and the figure of £36 million that has become £35 million by the time it appears in the "Unallocated" line of table 3.11—but what is £1 million among friends? I would like to get this clear: has £9 million or £10 million been removed from the enterprise and lifelong learning department and given back to the central fund?

Nicol Stephen: The £36 million—which is £35 million in real terms—was an end-year flexibility sum going back to 1998-99. At the end of 1998-99, when the figures were eventually finalised, that amount had not been spent. Therefore, for 1999-2000, it became an unallocated figure—£35 million. We do not yet know what the end-year situation will be for 1999-2000, but we know that that unallocated figure has never been allocated and has never been spent, so we know that the £35 million will be available as part of end-year flexibility. That figure may be higher or lower. We will know when the final figures are published in August.

The indications are that there will not be an overspend this year, so there should be at least £35 million. Of that £35 million, 75 per cent is available to the department to allocate to other projects. Money has already been allocated to Cubie and tourism. The balance will go to the Cabinet. If the figure turns out to be higher than

£35 million, the same approach will apply: 75 per cent will be available to the department and 25 per cent will go into the central Cabinet decision-making process.

Nick Johnston: Thank you. That was a clear answer, minister. When will we know how much of the £9 million or £10 million has been successfully bid for by your department? When will we know what you intend to spend it on?

Nicol Stephen: We will know after the end-year flexibility is known across all departments. If we do not know the outturn until August, we will have to wait until after August.

John Henderson: There are two ways of answering Mr Johnston's question. One answer is that, if there are any resources that have not yet been allocated, ministers may decide to allocate them, as pressures to do so arise. As the minister has said, if there are any additional resources, ministers can decide whether to leave them as unallocated or to allocate them. Things such as the career services review are coming up, and there will be other pressures on resources, but I do not think that it is possible for the minister to say when he or his colleagues may decide to allocate those sums of money.

The Convener: May I seek an assurance that we will see numbers in a format similar to that of annexe A, which will allow us to judge what the unallocated pot of the enterprise and lifelong learning department has become? I understand the point that Mr Henderson is making about the in-year decisions that ministers are free to make, but we would like to see information that would allow us to make a judgment.

10:45

Nicol Stephen: I give you that assurance. This is a learning process for all of us. We are trying to find a way in which to present these figures that is useful and informative. The layout of the additional information that is included in the letter, as opposed to that which is in the original report, is improved. That has helped the committee, the officials and me. I would like to continue to make improvements to the layout of the information.

The Convener: Elaine Murray will be the committee's reporter to the Finance Committee on our deliberations.

Dr Elaine Murray (Dumfries) (Lab): The unallocated sum, which we have heard will be £35 million, less the 25 per cent to be held centrally, will be allocated towards the cost of Cubie and so on. However, in 2001-02, the unallocated projection is £1 million. Where will the extra money come from?

The responsibility for the Open University in

Scotland was transferred to the Scottish Higher Education Funding Council last month. Do the figures include the sum of money that would be associated with that?

In table 3.4 of the letter, you indicate that one of the objectives of the department is to increase participation by under-represented groups. In the discussion on further education, you refer to an allocation to 20 per cent of areas with the lowest participation based on postcode. Will that reflect under-representation based on gender, ethnicity and rurality?

Will part-time courses be developed to include people who are, for whatever reason, excluded from higher education?

Nicol Stephen: The quick answer to the first question relates to table 3.11 of the letter's annexe. The unallocated portion reduces from £35 million to £7.9 million and then to £1 million. The intention is to have no money unallocated. If money were unallocated, it would be for unusual reasons. The amount should fall away to zero as soon as possible.

Dr Murray: Where does the money for Cubie come from?

Nicol Stephen: It would become allocated funding.

Dr Murray: Where is the money within the allocation?

Nicol Stephen: For 2001-02, it will be part of the bidding process that I was talking about. The answer in relation to 2000-01 is the same as the answer that I gave earlier. In relation to 2001-02, we have still to make some decisions with regard to a number of issues, such as the Beattie committee proposals. We will make those decisions known in due course.

The Convener: To clarify that point, are you saying that the funding of the Cubie settlement is from within the totals that you have communicated to the committee this morning—the overall total that is available to the department?

Nicol Stephen: The money for the 2001-02 figures would have to come from the overall totals unless, in the context of the review of expenditure, there was a decision by the Executive to increase the funding available for enterprise and lifelong learning. At the moment there is no indication that there will be such a decision, so we are considering it on the basis that it will be contained within those figures, but it is open for the Cabinet, in the context of the Chancellor of the Exchequer's announcements or for reasons of reallocation within departments within the total block, to make additional funding available. A decision on that will be announced as soon as those matters have been assessed, within the context of the end-year

outturn figures. I do not expect an announcement on it within the next few weeks.

The Convener: Will you respond to Elaine Murray's other three questions?

Nicol Stephen: The SHEFC Open University costs are not included. On the under-represented groups, my understanding is that the gender situation is closely monitored and analysed by both SHEFC and the Scottish Further Education Funding Council. I believe that ethnicity and rurality are not closely monitored. That is a matter on which the departments will require to do additional work on. Does Graeme Dickson have any further information on that?

Graeme Dickson (Scottish Executive Enterprise and Lifelong Learning Department): No. It is something that we can take forward; it has been considered previously in higher education, but we can look into it in relation to further education.

Mr Duncan McNeil (Greenock and Inverclyde (Lab)): Page 3 of the letter states:

"Social inclusion is not ring-fenced in the sense that the requirement to spend the allocation in accordance"

blah, blah, blah. It is not ring-fenced at this time. Is that statement there because you intend to consider the issue of ring-fencing of that funding in the near future?

Nicol Stephen: It is a little bit like the relationship between a Government department and local authorities. If money is not ring-fenced, it goes for a specific purpose to a local authority or, in this case, to the SFEFC. But if, in due course, it is discovered by the Government that money is not being spent on that purpose, it must decide whether to take steps to ring-fence it.

Mr McNeil: Could there be a clawback?

Nicol Stephen: Action could be taken, but we would hope not to have to do that. We would hope that there would be co-operation from the further education colleges and that they would follow the intentions of the Executive in that regard.

At the moment, we believe that the money that is being allocated for this purpose is being spent on encouraging greater social inclusion and participation. We must keep closely in touch with that to ensure value for money and to ensure that it is being spent for the purpose for which it was intended.

The Convener: Elaine Murray's final point was on part-time courses.

Nicol Stephen: A lot of the additional funding is specifically for part-time courses, so a lot of the funding for extra places that have been mentioned is for part-time courses. There were 8,000

additional student places last year, there are 20,000 additional student places in this financial year and there are due to be 40,000 additional student places in further education next year.

Dr Murray: Is that increase true of higher education as well?

Nicol Stephen: In higher education, the additional figure is 2,000 additional places next year.

Miss Annabel Goldie (West of Scotland) (Con): This point may already have been covered. In table 3.11 of annexe A of the letter, the figure for "Miscellaneous" seems to fluctuate sharply. What did that represent in 1999-2000, and why are there such steep variations henceforth?

Nicol Stephen: I asked the same question, so bear with me as I get to the right point in my briefing.

The Convener: It is disturbing that you think in the same way as Annabel Goldie. [*Laughter.*]

Nicol Stephen: It says here that Mr Stephen queried the unusually high figure for miscellaneous expenditure provision in 1999-2000. It is essentially attributable to provision for one-off items: £2.4 million for the millennium bug training subsidy; £0.7 million for the Cubie committee expenses; and £1.9 million for innovation-related expenditure, reclaimable from the European regional development fund.

Miss Goldie: Thank you. That was helpful. As regards annexe C to the letter, I am interested in the relationship between the element of SHEFC's expenditure for science and research and what is received from the UK research councils' grants to Scottish universities and institutions. Is there any relationship between those two figures, minister? We only have the figures for 1998-99. Are we matching funding from the UK research councils, or is that relationship widening?

Nicol Stephen: It is not a situation of matching funding. The relationship between the funding from the Executive and the funds from the UK Government is important, and the universities are anxious to maintain it. They want to ensure that the UK structure for funding research is sustained and developed. Within that, it is important to consider the trends.

I was interested to see the 1998-99 figures in context, to see what the trends are. Graeme Dickson may be able to shed further light.

Graeme Dickson: On a historic trend, we generally do better than our population share in getting money from the UK research councils. Typically, about 13 per cent of the research council allocations come to Scotland, compared with our having 10 per cent of the population. We

do very well in terms of grants for projects, average for studentships and a bit below average for research institutes. Generally, we are punching above our weight.

Miss Goldie: If we consider the figure showing SHEFC's expenditure on science and research, which was £111 million for 1998-99, what is the Executive's intention in that regard? That figure has not been extended out for the next two or three years.

Nicol Stephen: There is some information, I recall, in annexe B of the letter—it is again more helpful to look at the real-terms figure. The base figure is £111 million, the 1998-99 outturn. The 1999-2000 estimate rises to £115.9 million, and to £119.3 million for 2000-01. The 2001-02 figure is not known. It comes from the Scottish Executive, but I assume that the actual allocation is made through the Scottish Higher Education Funding Council.

Miss Goldie: That is helpful. I should at this point record my interest, convener: I am a member of the court of the University of Strathclyde.

On Scottish Enterprise, is the item labelled "Administration" in table 3.7 simply projected by the enterprise and lifelong learning department on a pro-rata basis? Is there any attitude on the part of the department as to whether that figure should be examined on a monitoring basis?

David Wilson: We do monitor the figures for administration. I would emphasise that "Administration" does not simply cover staff costs. The bureaucracy—meant in its proper sense—of Scottish Enterprise also includes administration of staff employed by Scottish Enterprise and the LECs who are discharging advice to businesses. It covers the people employed directly to do that job. As part of our general sponsorship of Scottish Enterprise, Highlands and Islands Enterprise and other non-departmental public bodies, we closely examine their administration costs and other aspects of their expenditure.

Nicol Stephen: This is one area in which we might be more helpful in future years with regard to the presentation of information. Where administration costs are shown in relation to SHEFC, the figure, although significant, is still relatively small. It is a large chunk of the Scottish Enterprise figure, and better presentation would be more helpful.

The Convener: I want to be clear about the approach to such a budget heading. If, as a result of this committee's work on local economic development, or the work that the Minister for Enterprise and Lifelong Learning and Mr David Wilson and his colleagues are involved in with regard to Scottish Enterprise networks, there is some radical change in the administrative

structure of those organisations, and that change brings a benefit to the public purse, is that benefit retained within the departmental budget? If that comes down by £5 million, is it then up to the enterprise and lifelong learning department to reallocate that to other priorities within the department's area of responsibility, or will the money go off into some central pots?

Nicol Stephen: My understanding is that the Scottish Enterprise and Highlands and Islands Enterprise budget is negotiated line by line. It is not a full block figure. Elements of the budget will be negotiated each year with Scottish Enterprise. Therefore, if there were savings, it would be up to the department to decide whether to continue to make those savings available to Scottish Enterprise for other initiatives, which would be the initial assumption, or whether to make an attempt to claw back the budget after agreement with Scottish Enterprise.

11:00

David Wilson: The budget headings included in the tables are those that we set for Scottish Enterprise. There cannot be virement between the headings without permission being granted from the department. There are specific reasons for it being reasonable to allow virement, but if it is a question of variations in the budgets, or if there is underspend on one side compared to another, that would come under the normal process of the sponsoring of the NDPB. Some reallocation could then be considered.

On the wider policy question, if there was to be a substantial change in the nature of the enterprise network and a substantial reduction in the costs of running it—if the sum becomes tens of millions as opposed to the odd million—that would have to be taken into account in the overall expenditure review process of the Scottish Executive. If there is a £30 million or £40 million on-going saving from the enterprise network, ministers would not be guaranteed that that would automatically be spent in the enterprise and lifelong learning department.

Miss Goldie: I find it disturbing that, when this committee is considering an enterprise budget, and when what we are devoting to Scottish Enterprise for business support and business start-ups are both plummeting, we find that roughly half the money is being spent on administration. I wished simply to make that observation.

Nicol Stephen: I should say again that it is not all administration in the traditional sense, and it is important to give some breakdown of that.

The Convener: Could we have that?

Nicol Stephen: Yes.

The Convener: That would provide more clarity. For example, I am not clear whether staff costs are included under "Business Support" in table 3.7. If we could have a larger table explaining the figures in tables 3.7 and 3.8 of annexe A to the letter, for the sake of comparing lowland and highland Scotland and the enterprise networks, it would be very useful.

Nicol Stephen: I understand Annabel Goldie's concern. We will provide that additional information for both Scottish Enterprise and Highlands and Islands Enterprise.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I ask the minister to look again at tables 3.7 and 3.8, which show the figures for Scottish Enterprise and Highlands and Islands Enterprise. I draw his attention in particular to the current year's figures compared with the plans for 2001-02.

I believe that under every heading—"Business Support", "Environmental Improvement" and "Skills Development"—the figures for Scottish Enterprise are to increase, whereas in every part of the HIE budget—"Growing Businesses", "Developing Skills" and "Strengthening Communities"—the figures will decrease. I hope that the minister understands that, at present, that will be regarded in the Highlands and Islands as unfair and unreasonable.

The explanation that the minister offered earlier seemed to be that the reason for the increase in the figures for Scottish Enterprise was major projects in the Scottish Enterprise area. Everyone in the Highlands would certainly welcome the success of the Motorola project, but surely that underscores the need to encourage such major projects in the Highlands and Islands, especially the need to reinstate the excluded areas from the assisted area status map. Will the minister argue for that in the Cabinet and with the Scotland Office?

Nicol Stephen: Our officials clearly have an important role to play in securing agreement on the RSA map. Representations are being made on that issue, although the final decision is not made by the Scottish Executive. The final decision requires European approval, but the main responsibility lies with the UK Government in terms of submitting the map. The reasons for the difficulty with the map were the result of comments from the European Commission. Fergus Ewing can rest assured that strong representations are being made on these issues.

I understand Fergus Ewing's concerns about the funding of Highlands and Islands Enterprise and I underscore the point I made earlier about being prepared to keep the situation under review. Some of the predicted falls in expenditure are due to

predicted falls in demand, especially on the skills and training side, because of lower levels of unemployment. The scope for major inward investment schemes in the Highlands and Islands area is more limited. Some people would be concerned if the focus of activity in the HIE area was on major inward investment projects.

It is important that greater encouragement is given to local companies and indigenous industry to expand in the Highlands and Islands and I undertake to look at that further in the coming months. The pressures on the enterprise and lifelong learning department, with the new demands that we started to discuss at the beginning of the meeting, have been significant, and we have been unable to make an additional allocation at this stage.

Fergus Ewing: Earlier, the convener asked about the £11 million boost that the tourism industry is to receive and an explanation was given for the non-appearance of the £5 million that is to be spent on the Ossian project. What about the other £6 million? Where has that mysterious £6 million gone? Does it appear in the figures that are before us, or is it somewhere else?

Nicol Stephen: I can only assume that that is a bid for the 2001-02 financial year or an announcement in relation to the 2001-02 financial year that has not yet been allocated, but I do not know the answer to the question. As a matter of urgency I will try to get the answer and inform the convener as soon as possible. The figure that I was made aware of, which is guaranteed additional funding, is £5 million for the financial year 2000-01.

Fergus Ewing: The reduction by 22 per cent, as shown in the tourism figures in table 3.9, of the amount spent on promoting and developing tourism—from £16.7 million at the outturn of 1998-98 to £13.8 million—worries many people in the tourism industry, who believe that we should be spending more on promoting tourism in Scotland, not less. Indeed, we might look across the water to the Republic of Ireland for an example of that.

Nicol Stephen: I understand your point in relation to the figures that are presented in table 3.9, which are real-terms figures, but the £14.1 million for this year should be added the £5 million, because it is not included in the figure in the table. There is, therefore, a real-terms boost in expenditure. The £18.4 million for total expenditure would go up to £23.4 million, which is a significant real-terms increase compared with the £20.4 million total expenditure in 1998-99.

Elaine Thomson (Aberdeen North) (Lab): I would like to return to gender impact and the monitoring that is or is not going on. When Scottish Enterprise came before the committee, its

representatives said that although some gender monitoring is done by education councils, none is done by Scottish Enterprise. Like all committees, this committee has received letters from the Finance Committee and the Equal Opportunities Committee asking us to look carefully at the gender impact of policy and budget decisions. Do you think that the current level of monitoring is adequate? I suggest that it is not. Do you support the aim of Engender, which is an outside organisation, in pushing hard for gender issues to be mainstreamed in policy decisions?

The Convener: Can we move into a question please?

Elaine Thomson: Yes. For example, Scottish Enterprise figures include a lot of skills development areas. It is believed that about 80 per cent of the take-up of the new deal is by men. Would it be useful if a comparison between women's average earnings and men's was used as a performance indicator, and was included in documents such as "Investing in You"?

Nicol Stephen: I agree with the sentiments of the question and the comments that were made. There is a lack of useful information—some would describe it as essential information—that is available to the Scottish Executive. It is sometimes assumed that the Government holds vast amounts of information so that it can instantly analyse any question that is put to it. In this area, there is a lack of information. Some of the problems that we had in addressing student support issues—and some of the problems that the Cubie committee had—related to a lack of good-quality information on the financial background of students.

Similarly, sufficiently good information is not available in relation to gender, ethnicity and rurality. The department will address that. That applies not just to the enterprise and lifelong learning department, but right across the Government. Women's average earnings is one of the factors that could be looked at, particularly in the assessment of economic elements of this matter. More needs to be done. We are conscious of the requests from the Finance Committee and the Equal Opportunities Committee and we will have to look hard at addressing them now if we are to be in a position to give better information in subsequent years.

George Lyon: I would like to return to the figures that you gave on the cost of abolishing tuition fees. You said that £22 million would be made available to fund tuition fees this year. Can you give us an estimate of how much it will cost in subsequent years, given that the number of students will rise substantially if the Executive meets its targets? What will be the cost of funding the fees of those extra students over the next three years? Are you expecting a contribution from

students towards their fees in subsequent years? Some commentators believe that that is how the system will work.

Nicol Stephen: No. There is no expectation that students at any stage will be asked to make a contribution to their fees. Fees are being abolished from the autumn of this year. I would like to make that clear. The cost for this year is £27 million net. The amount that the Government will have to pay to universities and colleges to fund higher education fees will be £42 million. That figure will rise slightly due to the expansion in student numbers as a result of an additional 2,000 student places being made available, but the cost increase will be pro rata. The total number of students is 120,000, so the increase will be relatively small. For the additional student places that are currently planned—there could be decisions to expand the number of student places further—the costs are included in the future budget predictions.

The £22 million relates to the internal funding of SAAS and the availability of some funds for SAAS in this financial year. That brings the net figure down to £22 million rather than £27 million. The £27 million figure is accurate. This year, as a one-off, SAAS has an additional £5 million.

George Lyon: On a point of clarification, you said that £27 million is the net figure and that £42 million is the cash figure that is going straight into universities. Why is there a difference?

Nicol Stephen: The Cubie committee proposed that the total cost of funding flowing to universities and colleges should be £42 million. The suggestion made in the Cubie proposals, which the Executive followed, was to reallocate the parental contribution, which was previously allocated to tuition fees. Graeme Dickson or David Wilson will be able to go into greater detail on that. The consequence is that the net cost to the Executive becomes £27 million. In that regard, we have followed the Cubie recommendations to the letter.

11:15

Graeme Dickson: I want to clarify that. The additional £42 million to fund fees through SAAS will be offset by savings of about £30 million cash on the amount of student loans. Because the department's accounts score only the subsidy given to student loans, which is 50 per cent, we save £15 million—£42 million minus £15 million is £27 million.

The Convener: Once the changes to the student finance regime are implemented and are factored into table 3.2, how would you expect the budget lines "Awards/Fees" and "Student Loan Subsidy to Students" to end up in 2001-02?

Nicol Stephen: Again, table 3.2 is slightly confusing. The "Awards/Fees" line refers to a mix of grants and fees. Fees are not shown separately. That line falls off quite dramatically because grants are being phased out in line with the Dearing proposals. The "Student Loan Subsidy to Students" line goes up quite dramatically because that is where we see the consequence of grants being replaced by loans—that line includes additional loans. The simple answer is for 2000-01 to add £22 million to the total figure of £291.1 million and for next year to add £34 million to the total figure of £279.4 million, which gives the total impact on the Student Awards Agency for Scotland budget.

The Convener: Nothing in my experience of this area of policy suggests that there are simple answers like that one. I would prefer to know what the impact on the "Awards/Fees" and "Student Loan Subsidy to Students" lines will be.

Nicol Stephen: Graeme Dickson tells me that the rough calculation is that the figure will be £219 million in 2000-01. I am not sure whether those are cash figures, so I had better defer to my officials.

Graeme Dickson: I estimate that the "Awards/Fees" line will go up from £205.5 million to £219 million in 2000-01.

The Convener: Is that in cash or real terms?

Graeme Dickson: That is in cash terms.

The Convener: My point is that instead of that line going down, we should expect to see that line going up.

Graeme Dickson: Absolutely.

The Convener: We should also expect the "Student Loan Subsidy to Students" line to go up.

Graeme Dickson: The loan subsidies will go down, because the number of loans will reduce.

The Convener: Will the total value go down?

Graeme Dickson: Yes.

David Wilson: The top line goes up by £42 million in both years. The student loan subsidy will be reduced by £15 million.

The Convener: I appreciate that the department has not factored absolutely everything into these costs at this stage in the process, but I am sure that you realise that we are anxious to get to the bottom of how these numbers add up. A more detailed version of table 3.2, taking account of the implications of the Cubie report, would be appreciated. We need an explanation of where the line goes on student loan subsidies. I am not convinced that that will go down quite as sharply as you suggest.

Nicol Stephen: We will write to you with that valuable information. Cubie impacts on more than table 3.2. In table 3.3, there is a big leap in the higher education institution figure, from £524.6 million to £573.3 million, but that links back to the figure for the Student Awards Agency for Scotland, which shows a big fall in awards and fees, from £288.8 million to £205.5 million. There has been some reallocation and you need to know about that in more detail to understand the tables properly.

Allan Wilson: Not all awards go through the Student Awards Agency, do they? Is there a different budget line for those that do not?

Graeme Dickson: They should all go through SAAS.

The Convener: We have established that we would like, for the sake of completeness, to have real-terms versions of tables 3.2, 3.3 and 3.5, to reflect the changes in student finance arising from the Cubie report. We also want a breakdown of tables 3.7 and 3.8, on Scottish Enterprise and Highlands and Islands Enterprise, again with more in-depth explanation. We would also like an explanation of where tourism fits into the £11 million that was previously announced. Alongside the numbers for higher and further education, we would also like the number of students going through the system in each of the given years, so that we can establish a rough per capita expenditure.

Nicol Stephen: You want to know, of course, about the students we are funding.

The Convener: That is right. This session has gone on longer than I expected; I hope that that has not inconvenienced you, minister. Do you have any further remarks?

Nicol Stephen: I simply want to thank you for your questions and your courtesy. We will try to provide the additional information as soon as possible. I stress that this is a learning process for all of us. We all want better, more helpful and more informative statistics and tables for future years. We are happy to learn from any further detailed comments about the presentation of information.

The Convener: Thank you, minister. It was helpful of you to point us in the direction of the real-terms figures at level II. That was suggested at the previous meeting by Fergus Ewing. I felt that it led to a more meaningful discussion and I encourage the department to provide us with information in that format.

Nicol Stephen: We shall continue to do that.

The Convener: It certainly makes for a more meaningful discussion about the trends behind the figures. I thank the minister and his colleagues.

Subordinate Legislation

The Convener: We now move to item 2, which is the Repayment of Student Loans (Scotland) Regulations 2000 (SSI 2000/110). Members have been given an explanatory note by the clerk, a copy of the statutory instrument and a note from the Executive, which has been provided by Gillian Thompson, whom I welcome to the committee.

The Subordinate Legislation Committee considered the Repayment of Student Loans (Scotland) Regulations 2000 yesterday. We have to receive a report from the Subordinate Legislation Committee before we can consider an instrument. We had expected that the clerk would give a verbal presentation of that report. The clerk received a report from the Subordinate Legislation Committee, but—my notes tell me—the consideration of the instrument was not without controversy. The regulations aim to empower Scottish ministers to recover loans from students, but the Subordinate Legislation Committee believed that that may be beyond the legislative competence of the Parliament. That committee has resolved to consider the matter further and, perhaps, to make representations to the Executive.

We had hoped that we would consider and complete this matter today, but we will not be able to do that because we do not have the final advice of the Subordinate Legislation Committee. However, the matter is on the agenda today and we will consider it as far as we can. As a result of this discussion, it will perhaps be a briefer item on our agenda next time.

I invite Gillian Thompson to introduce herself and her colleague, and then to make a statement to the committee.

Gillian Thompson (Scottish Executive Enterprise and Lifelong Learning Department): I am the head of student support policy in the Scottish Executive. I am accompanied by my colleague, Jim Logie, who is from the office of the solicitor to the Scottish Executive. I will deal with issues of policy and general direction. As Jim Logie drafted the instrument, he will deal with legal issues. We are aware of the outcome of the Subordinate Legislation Committee's discussion yesterday. We provided that committee with advice in response to questions that were asked about the legal powers of Scottish ministers.

It may be helpful to set the scene about our position on this instrument. Income-contingent loans were introduced in 1998 as part of the new package of student support. That was a change from the previous, mortgage-style loan arrangements for student support. It was decided

then that, largely for administrative reasons and because a lot of work was being done on other matters, the repayment of loans would not come into force until April 2000. Eligible students have taken out income-contingent loans in the two academic years since 1998.

These regulations are the first that Scottish ministers have made under the Education (Scotland) Act 1980 as amended by the Teaching and Higher Education Act 1998. They deal with the timing of repayment, the cancellation of loans and repayment by overseas residents. To get a clearer picture of the overall collection arrangement for Scotland-domiciled students—the eligible students—it is necessary to read the regulations in conjunction with the Education (Student Loans) (Repayment) Regulations 2000, which are the UK regulations that specifically confer functions on the Inland Revenue.

Loans will be collected through self-assessment and employers—both of those ways are linked to Inland Revenue tax collection—and, in the case of students who go to live overseas or who are outwith the tax arrangements, through the Student Loans Company.

In putting together the overarching arrangements for income-contingent loan and collection, our starting position was the arrangements of 1998 and the discussions that we had with colleagues in the Department for Education and Employment and the Inland Revenue. Our basic premise was that the loans collection system would be done on a UK-wide basis for reasons of administrative convenience, cost and so on. Through negotiations, the Inland Revenue agreed to do that on behalf of the education departments.

11:30

Since that time, the scene has changed somewhat. We now have devolution and student support is fully devolved to the Scottish Parliament. We advised Scottish ministers of the difficulty that they do not have powers to make regulations that confer duties on the Inland Revenue. The Taxes Management Act 1970 was changed specifically to allow collection of income-contingent loans.

On the basis of that advice, Scottish ministers agreed that the collection regulations would be made on a UK basis and that Scottish ministers would make a slightly shorter set of regulations governing those areas that were outwith the powers of Westminster.

The Convener: I am looking at point 4 of the note that you provided us with, Gillian. In what circumstances would ministers decide not to use the Inland Revenue? You spoke of people living

overseas and being caught by the SAAS. If someone were within the UK tax system, would Scottish ministers just leave it to the Inland Revenue to collect that money?

Gillian Thompson: It is presumed that the Inland Revenue will collect from anyone in the tax system unless the loan is of a very small amount—less than £120—as referred to in regulation 5. In such a case, the money would probably be collected by the Student Loans Company. The only other circumstance in which that would happen would be people living overseas.

Miss Goldie: Looking at these regulations without the other legislation is difficult because—as you have explained—you have to pick up the bits that have not been covered. The convener has clarified the point that we cannot rely on the Inland Revenue for collection from overseas residents and that other arrangements will have to be put in place. Regulation 12(3) says that

“Scottish ministers may determine that a student loan shall bear interest at three times the rate or rates which would otherwise be applicable during any period”.

I would have thought that that was penal and therefore unenforceable.

Gillian Thompson: That applies if the borrower does not provide the required information, in which case they may be required to pay the amount at a rate of three times the normal rate of interest. As far as I understand it, Scottish ministers would have the powers to bring that about through the Student Loans Company.

Miss Goldie: I am interested in the broad question of enforceability, because what you have described sounds penal, and under Scots law you cannot recover penal interest.

The Convener: What is the definition of penal interest?

Miss Goldie: It is punitive, John. You can recover contractual interest where the rate has been agreed and you can recover interest at the prevailing rate of bank interest, but my understanding is that if a penalty measure is suddenly introduced it is unenforceable. I may be quite wrong; I am just raising the point.

Jim Logie (Office of the Solicitor to the Scottish Executive): We are satisfied that the regulation is enforceable. The interest rate on student loans is set under regulations. Normally, it would be set in what we have referred to in these regulations as the loan regulations. There is a provision for a certain rate of interest to apply to the loans.

Miss Goldie: That is perfectly acceptable.

Jim Logie: That is really the same power that flows through into regulation 12(3), giving us the power to set a different interest rate in certain circumstances. When the student has failed to give us the proper notice that would enable us to collect the repayments, he pays interest at a higher rate than does the student who has given notice and therefore enabled us to collect.

The Convener: We will have to re-examine this issue, so perhaps a brief note that sets out some of those points would help to clarify things.

Miss Goldie: Perhaps specific advice should be taken on the matter.

The Convener: We should take some comfort on the issue. Perhaps we could share some of the legal advice that has been given on that point.

Dr Murray: I was interested to learn about the situation in England and Wales and Northern Ireland for students who are domiciled outside the UK. Does the situation here mirror what is happening elsewhere?

Gillian Thompson: Yes, in every respect.

Fergus Ewing: I want to follow on from Annabel Goldie's point. My understanding, which could well be flawed—it is a long time since I studied at university—is that a rate of 48 per cent is, *prima facie*, unenforceable and excessive. Of course, if we went back to the interest rates that prevailed following Mr Lamont's chancellorship, that rate could be reached if the three-times figure were to apply. Be that as it may, it seems unduly punitive and burdensome for a student to suffer such a penalty. I do not recall anyone mentioning any hint of that during any of the debates in Parliament.

The case that I want to ask about may be answered in the principal regulations. It concerns the plight of a constituent who states that they have sent the required information to the Student Loans Company—in Glasgow, I believe—but the company disputes whether the information has been sent. One can imagine that there will be many such disputes because former students, perhaps some years after university, will obtain an income of more than £10,000 and will have forgotten about all this. I suspect that there will be floods of disputed applications and matters of fact about whether students have supplied the relevant information.

Mr McNeil: Are you on a retainer, Fergus?

Fergus Ewing: My question is—

The Convener: I am glad that we have reached a question.

Fergus Ewing: Is there any discretion so that each situation can be looked at on its merits and the penalty disapplied if it appears fair and reasonable so to do, to avoid penalising people

who find suddenly that they fall foul of the rule?

Gillian Thompson: I would expect the Student Loans Company to exercise a certain amount of discretion in such cases. That is a matter for the Student Loans Company.

Fergus Ewing: It has assured me that it does not have that discretion under the current rules. The chief executive assured me of that.

Gillian Thompson: It is difficult for me to comment on a specific case without knowing the full details. The Student Loans Company works to the regulations that are in force. I would have expected the company to take into consideration whatever details had been provided of the individual's circumstances.

The Convener: I know that when one talks to the rural affairs department about things such as integrated administration and control system—IACS—maps, it says that it does not have an inch of discretion, because the framework is fixed. Does the Student Loans Company have discretionary powers?

Gillian Thompson: Probably not in the same sense that the Students Awards Agency has discretion, because of the nature of the regulations. However, regulation 12 says that in the event that the required information is not provided, the borrower "may" be required to repay the amount. I would have thought that the loans company would be able to argue that it had taken the view that that was not appropriate in the circumstances.

George Lyon: I want to discuss regulation 13. When was the income threshold, at which students would start to repay their loan, reduced from £16,000 to £10,000? Could such a decision be taken only at Westminster, or does the Scottish Executive have any influence over the figure?

Gillian Thompson: The previous threshold was related to the previous loan arrangements, under an entirely different system of both making the loans and collecting repayments. Under the previous student support arrangements—before 1998—students took out loans under what were described as mortgage-style loans arrangements. Continuing students are still doing that. Under such arrangements, when students reached the threshold, which was the average earnings in a particular year—it is more than £16,000—they had to make repayments, usually over five years, depending on the number of loans that they had.

The arrangements that were introduced for income-contingent loans are entirely different and separate. The threshold of £10,000 was agreed in negotiation with the Treasury and colleagues in the Department for Education and Employment. It may be helpful for the committee to bear in mind

the fact that those negotiations took place in a different environment, before devolution. At that time, the threshold of £10,000 was regarded as inescapable. If Scottish ministers were minded to change it, they would have to take a number of factors into account, not least the collection arrangements, which are set on a UK-wide basis for a given threshold through the Inland Revenue. The Inland Revenue might not be prepared to collect at a different threshold. There is also the issue—which I do not understand fully—of the financial impact of collecting loans at a threshold above £10,000. That would have an effect on how quickly loan repayments could be brought in. In light of those issues, ministers might decide that they could not change the threshold. Does that answer the question?

George Lyon: I do not think that it is clear who has the power here.

The Convener: Am I correct in thinking that the same framework will be used for the graduate endowment?

Gillian Thompson: The proposal is that students will be offered the opportunity to pay back their graduate endowment through the loan collection arrangements.

The Convener: I do not want to misinterpret what George Lyon is saying or to put words in his mouth, but I would be interested to know whether the Parliament could revise the figure of £10,000 or whether we are dealing with a mechanism put in place by Westminster that the Parliament cannot alter.

Gillian Thompson: It all comes back to the question whether Scottish ministers have the power to change the threshold and the collection arrangements that are currently set.

The Convener: That is the point.

Gillian Thompson: If the repayments were to be collected under the current collection arrangements, the threshold of £10,000 would have to remain.

George Lyon: Are you saying that if we wanted to increase the threshold, ministers would have to make arrangements to collect repayments at that different level?

Gillian Thompson: They would have to consider a number of issues, including the cost of making such a change. I must confess that I am not entirely sure that we would not still be subject to Treasury oversight of the threshold.

George Lyon: Could you—

Mr McNeil: Is this the George Lyon show?

The Convener: Mr McNeil, you will get your fair share of questions.

George Lyon: I am trying to get to the bottom of something.

Mr McNeil: He is speaking out of turn.

The Convener: No, he is not. He has my permission to speak.

George Lyon: I am trying to have a point clarified.

The Convener: We would like a note clarifying this issue. It has nothing to do with this statutory instrument per se—

Mr McNeil: Well, that is what I am saying.

The Convener: We must be clear about the status of the statutory instrument before we proceed. If the £10,000 is an implicit part of the mechanism selected by ministers for the collection of the graduate endowment, we should find out whether that is amendable by the Scottish Parliament or whether another mechanism needs to be sought for that purpose.

Gillian Thompson: Another mechanism would have to be sought.

The Convener: Okay.

11:45

Mr McNeil: That answer might be helpful, because I am just trying to find out where we are. Does the statutory instrument deal with loan arrangements that have been agreed in the past couple of years?

The Convener *indicated agreement.*

Mr McNeil: In that case, does this statutory instrument change any of those understandings or contractual agreements? Do people clearly understand the agreement that they entered into?

Gillian Thompson: Yes.

Mr McNeil: So why are we questioning that agreement or contract with people? Furthermore, how does that link with future arrangements, which I did not know that we were discussing this morning?

The Convener: There are two issues to address, the first of which relates to Annabel Goldie's point about regulation 12(3). If an individual enters into a existing contractual arrangement in which they know that, if they become an overseas resident, they will have to pay interest at three times the rate if they default—

Mr McNeil: Is that the case?

The Convener: My understanding is that, if these are existing contractual arrangements, an

individual who entered into them would have effectively consented to the type of penal interest—to use Annabel Goldie's phrase—outlined in regulation 12(3).

Gillian Thompson: A student who decides to take out a student loan signs up to the arrangements surrounding that loan when it is taken out. These loans are made not under the credit agreements, but in a different way. When a student applies for a loan, they are sent a booklet describing the arrangements for collection and the terms under which they have signed up for repayment. As a result, they should fully understand current repayment arrangements. The reason for the time lag is that we decided that no loan under the new arrangements would be payable until April 2000. Besides the administrative issue involving time and so on, very few of the students who took out loans since 1998 would be able to make repayments.

The Convener: Does that mean that some people will have taken out loans without being clear about the repayment mechanism?

Gillian Thompson: No, because we were formalising arrangements with the Inland Revenue in that period. However, information about the £10,000 threshold, the 9 per cent rate of repayment and its collection through the tax system has been available to students who took out loans in 1998.

Allan Wilson: The only part of the regulations that would have effect in Scotland would be repayments by overseas residents. Are students who have taken out a loan, but have since moved abroad and do not respond to the department's attempts to recover the loan, aware that punitive interests might be applied in an attempt to recover that sum?

Gillian Thompson: The answer must be yes. The Student Loans Company has mortgage-style loan arrangement mechanisms for pursuing people who default.

The Convener: As I said at the outset, we cannot move to a conclusion on this item until we have the view of the Subordinate Legislation Committee, which we will receive shortly. If I can ask for the follow-up information that we requested to be sent on to the clerk, we can come to a judgment on this subject as soon as is convenient.

Nick Johnston: As this is a negative instrument, it will come into force on 16 May. I am concerned about the time constraints.

The Convener: We will examine this again when the committee meets on Wednesday 10 May. Is that agreed?

Members *indicated agreement.*

Public Petitions

The Convener: We now move on to item 3, which is two petitions that have been referred to this committee by the Public Petitions Committee.

Petition PE113 is about the reinstatement of the Borders railway. The lead committee on this is the Transport and the Environment Committee. It has sought the views of this committee.

Dr Murray: As you might expect, I support this. I hope that the committee will support it.

We discussed this petition at the Rural Affairs Committee yesterday. Two of the Borders MSPs, Christine Grahame and Euan Robson, were at the committee to support it. They explained the importance of reintroducing a railway network into the Borders, given that it is an area that has lost its rail infrastructure and is not especially well served by roads, and explained its importance for the economy of the region. The Rural Affairs Committee supported the petition fairly strongly; I hope that the Enterprise and Lifelong Learning Committee will also lend its support.

The Convener: Are there any contrary views?

Allan Wilson: Is this a decision in principle? Presumably resources would have to be allocated.

The Convener: The furthest that we can go as a committee is to comment to the effect that we are supportive of the work being undertaken to re-establish rail links with the Borders and recognise the benefits that this would have to economic development and tourism in that part of Scotland.

Miss Goldie: I have one slight concern. I notice that a letter from the Campaign for Borders Rail, which specifically wants to secure the release of public finance to fund the scheme, is attached to the petition. I am very much in sympathy with the restoration of a railway in the Borders, but I have to observe caution in relation to the funding. I would not be prepared to accept that it should be done entirely out of public funds.

The Convener: If members examine the petition, there is nothing in it about paying for the rail links. We either think that this is a good idea and that we should give it some support or not. All ideas must be assessed within the resource constraints of public finances, but I do not think that the aspirations set out in the petition are necessarily ones that give us any difficulties.

Mr McNeil: I think that those aspirations could be expressed for many parts of Scotland, in many areas that are currently arguing for better transport links. I have no problem in lending my support to that aspiration, but I think that we must come back to the letter that accompanies the petition. I

support its calls to initiate a debate in Parliament and to examine the issues in the Social Inclusion, Housing and Voluntary Sector Committee and the Transport and the Environment Committee.

However, I think that the release of public finance to fund the scheme may mean that other schemes, such as the road in the Highlands that Fergus Ewing is always on about, do not get it. There must be a balance here. We support activity on those issues, but not to the extent that money should be given to it as a priority above all else.

The Convener: What I said to the committee, in trying to draw together the discussion, was that we could see benefits to the process of economic development and tourism arising from the establishment of the Borders railway.

Mr McNeil: Throughout Scotland or just in the Borders?

The Convener: All we have in front of us is a Borders railway petition. With the greatest respect, we do not have one from any other part of Scotland. The petition about the Borders railway is what we are considering. We either give this petition some support or none. I will rule members out of order if they talk about matters that have nothing to do with the Borders railway petition. We can discuss this petition and give it either some degree of support and encouragement or none, but I am not going to enter into a debate about a multiplicity of other projects, worthy though they may be.

Ms Margo MacDonald (Lothians) (SNP): I apologise for being late. I was at the doctor's and had to wait.

Forgive me for being so bold, but I think that my colleague Duncan McNeil was saying that, although this is a Borders petition for a Borders air link—[*Laughter*.]

Marilyn Livingstone (Kirkcaldy) (Lab): Do they want one of them as well?

Mr McNeil: Do you mean a Borders-Ayr link?

Ms MacDonald: I mean a Borders rail link. Duncan was saying that, although the railway would be in the Borders, it would benefit all of Scotland, which is true. Am I right in saying that, Duncan?

Mr McNeil: Yes.

Ms MacDonald: Although I appreciate what Duncan said, I would state the case even more strongly. Unlike Annabel Goldie, I think that there is a case for prising open the public purse to start the process. I think that we should be even more committed to the proposal than we seem to be.

Miss Goldie: My only concern is to do with the letter that was presented with the petition. I do not

know the status of the Campaign for Borders Rail, but the letter seems to read as one with the petition and asks for public money to fund the scheme, not to assist the scheme. I endorse the principle of the petition, but if that letter is to be read as part of the petition, I would have to express profound reservations.

The Convener: With the exception of Margo, who is ultra-favourably disposed to the Borders railway—

Ms MacDonald: Well, I am a fundamentalist.

The Convener: Absolutely, and we support that aspect of your character and your aspirations.

I suggest that we give our support to the petition for the advantages that would be brought to economic development and tourism in the Borders and to the rest of Scotland and leave it at that. Are we agreed?

Members indicated agreement.

The Convener: The next petition relates to rural post offices and was submitted to Parliament by the Dunlop and Lugton Community Council. Attached is a note from the clerk of the Public Petitions Committee that explains the parliamentary consideration that has been given to this subject.

George Lyon: We should support this. It is a fundamental issue in many rural areas. Are we passing it to the Rural Affairs Committee?

The Convener: It has been sent to that committee as well. We are required to tell the Public Petitions Committee what further action we think is required.

George Lyon: We should recommend that there be a wider examination of the issue as it affects all of rural Scotland.

Dr Murray: It might be useful if I said what happened at the Rural Affairs Committee yesterday. The committee noted that there were developments in the post office network, including the negotiation of a banking agreement that would allow community banking to be performed from post offices. It was noted that that might change the situation and might make the rural post office a stronger part of its environment. We also agreed that an investigation into the issue of rural post offices could be included in the on-going inquiry into patterns of rural employment.

Allan Wilson: I do not support the petition in the terms in which it talks. However, the suggested action, which is what we are here to consider, is a different matter. The suggested action is that we pass the petition to the Rural Affairs Committee. Is that right?

The Convener: The petition has been referred to this committee as well as to the Rural Affairs Committee.

Ms MacDonald: The Social Inclusion, Housing and Voluntary Sector Committee might also have a view on the matter. Post offices play an important role, although it may well be informal and ancillary, not only in rural areas but in large towns and cities. Getting out to a local centre—the post office—is part of the socialisation of many people who are reliant on benefits and so on. That might not be seen as an economic function, but it is certainly a social function.

12:00

The Convener: The petition is about the situation regarding rural post offices.

Ms MacDonald: I was just noting the fact that there is a wider issue.

Fergus Ewing: The petition calls on the Scottish Parliament to take whatever action it considers to be most appropriate to relay our concerns. We should discuss what action we could take, what is competent and how we can relay those concerns to Westminster. All members will be concerned about the problem. I carried out a survey of the 60 or so post offices in my constituency and received replies that indicated that their area of greatest concern was that the removal of some of their current income from dealing with benefits would render them non-viable. I hope that members will accept that that is a legitimate concern, although it is an area of controversy.

It might be appropriate for us to recommend that the most relevant committee should carry out an investigation and ask for specific factual information from all the sub-post offices. Several members have carried out surveys like mine—I know that Mary Scanlon did a survey of post offices in the Highlands on behalf of the Conservative party. However, it would be better if the Rural Affairs Committee could carry out a super-survey of all sub-post offices and post offices. That would allow us to argue the case with greater force.

Mr McNeil: We must examine the matter from a different perspective. We are not the Social Inclusion, Housing and Voluntary Sector Committee or the Rural Affairs Committee. There are related issues that we may want to consider, such as employment and how we develop a new post office network that will take on new technology. To encourage people to block those new measures such as automated payment of benefits at a time when more and more people have bank accounts and so on is to encourage them to stand still. We would not encourage any other group or enterprise to stand still in a

changing world. We may have issues to consider, but those would not relate specifically to sustaining rural communities or social inclusion.

Allan Wilson: Offering people the opportunity of having their benefit paid in cash at the post office or via their bank account is not the same as the petition's claim that an action of the Government is making post offices non-viable. However, I agree with Fergus Ewing that it would be proper for the Rural Affairs Committee to consider the implications of the policy and to make the appropriate representations. I am rather unclear what our specific role is in addition to that.

The Convener: Let me try to draw this to a close because we have heard all the arguments. The petition was passed to us at the same time as it was sent to the Rural Affairs Committee. We must decide what action, if any, we should take. Fergus Ewing has proposed that we suggest to the Rural Affairs Committee that it consider the issues that have been raised by this petition as part of its continuing study on rural employment and business activity, for which there is commissioned parliamentary research, and that it gather evidence on that basis. Does anybody disagree with that?

Dr Murray: The point was made in the debate that the Horizon project enables the delivery of a variety of other services through the Post Office, which is relevant to our committee.

Allan Wilson: How does that differ from what has already been decided, which is to pass a copy of the petition to the Rural Affairs Committee to include the closure of rural sub-post offices in its forthcoming inquiry into the impact of rural employment change on rural communities?

The Convener: Our committee has taken the view that it has nothing to add to the recommendation of the Public Petitions Committee, which is that the petition should be passed to the Rural Affairs Committee as part of that committee's study into the impact of rural employment change. I am suggesting that we leave it at that.

Miss Goldie: I have an observation to make. In non-rural areas, there is deep concern about the continuation of post offices—

The Convener: I am not going to entertain discussion on that. I have a petition in front of me on rural post offices; I do not have one on urban post offices.

Miss Goldie: In that case, I am content that the matter be referred to the Rural Affairs Committee. Our rural post offices are important and should be rescued.

The Convener: I appreciate your point, but this petition is concerned only with rural post offices.

Allan Wilson: The petition is against the proposed closure of, and changes to, any sub-post offices.

The Convener: I have made a proposal to the committee and asked whether anyone disagrees with that proposal.

Allan Wilson: I favour the proposal.

The Convener: Okay. We will ask the Rural Affairs Committee to consider this petition in its inquiry when it gathers evidence. Are there any dissenting voices?

Miss Goldie: We should add the proviso that the Rural Affairs Committee should report back to us, as we have a continuing interest in the matter. The heading is "Petition against the proposed Closure and Changes to Sub Post Offices". Anecdotally, it says:

"In rural communities the Post Office is an important public service."

Nobody would disagree with that. However, the Enterprise and Lifelong Learning Committee should have an interest in the provision of any local enterprise facility. Although I have no objection to passing this petition on to the Rural Affairs Committee, I do not want that to exclude this committee from reconsidering it subsequently.

The Convener: Many issues will be raised by the study that is being undertaken by the Rural Affairs Committee into rural employment change, which will be of interest to this committee. Later in the parliamentary year, we may discuss that study with the Rural Affairs Committee, and this petition could form part of that discussion.

Does the committee agree to support the recommendation of the Public Petitions Committee?

Members indicated agreement.

The Convener: Item 4 on the agenda will be taken in private session.

12:07

Meeting continued in private until 12:20.

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