

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 1 November 2000
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

25th Meeting 2000, Session 1

CONVENER

*Alex Neil (Central Scotland) (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

THE FOLLOWING ALSO ATTENDED:

Douglas Baird (Scottish Executive Finance)

Mr David Davidson (North-East Scotland) (Con)

Frank Duffy (Scottish Executive Enterprise and Lifelong Learning Department)

Mr Eddie Frizzell (Scottish Executive Enterprise and Lifelong Learning Department)

Lucy Hunter (Scottish Executive Enterprise and Lifelong Learning Department)

Liam Jarnecki (National Union of Students Scotland)

Kenryck Lloyd Jones (National Union of Students Scotland)

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

Mr Alasdair Morrison (Deputy Minister for Enterprise and Lifelong Learning and Gaelic)

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD)

Mandy Telford (National Union of Students Scotland)

Gillian Thompson (Scottish Executive Enterprise and Lifelong Learning Department)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Linda Orton

LOCATION

The Hub

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 1 November 2000

(Morning)

[THE CONVENER *opened the meeting at 10:08*]

The Convener (Alex Neil): Good morning and welcome to the committee's 25th meeting this year. I remind committee members and those in the public gallery that they should switch off mobile phones and pagers. I should also apologise to those who are giving evidence this morning for the fact that the sun is zeroing in on them; we could have provided lamps, but we decided that the sun was bright enough.

We have received apologies from Allan Wilson. As members probably know, Allan has been promoted in the ministerial reshuffle to be Deputy Minister for Sport and Culture. I am sure that I speak for the whole committee in congratulating Allan on his elevation, and I put on record our gratitude for the substantial contribution that he has made to the work of the committee since it was established.

Enterprise and Lifelong Learning Budget

The Convener: The first item of business is evidence on the budget for enterprise and lifelong learning. Prior to the ministerial reshuffle, Nicol Stephen was scheduled to present that evidence. As a result of the changes, I welcome Alasdair Morrison, the new Deputy Minister for Enterprise, Lifelong Learning and Gaelic, and congratulate him on his promotion. Alasdair has been in his new post for only 48 hours and he has kindly agreed to go ahead with the presentation of this morning's evidence. Inevitably, however, some of the detail may need to be followed up in writing. Unfortunately, we could not postpone hearing the evidence, because the committee has a deadline to meet and must report to the Finance Committee. Alasdair has given me a guarantee that any detail that is not readily available this morning will be provided to the committee early next week.

The Deputy Minister for Enterprise, Lifelong Learning and Gaelic (Mr Alasdair Morrison): First, I would like to introduce my colleagues. Douglas Baird is the head of the enterprise and lifelong learning finance team and Eddie Frizzell is

the head of the enterprise and lifelong learning department. I wish that I could honestly say that I am glad to see you, convener, but I genuinely cannot—because the sun is in my eyes, all I can see is five shadowy characters at the other end of the room.

Thank you for your warm words of welcome. I think that you did right by stating, euphemistically, my shortcomings even before I opened my mouth. However, I am glad that you have highlighted the fact that I have been in my new position for only 48 hours. As always, I am happy to appear before the committee, as are all my colleagues. The committee rightly expects to be given full and detailed responses to its forensic examination of the budget issues. To reiterate your comments, convener, I suspect that there will be many areas in which I will not be able to give you a meaningful response. However, I assure you that, by close of business on Friday, my officials will deliver the details to you. I appreciate that you have to keep to your own timetable and deadlines.

I am grateful for the opportunity to make some opening remarks about the outcome of the spending review for the enterprise and lifelong learning department. When Nicol Stephen appeared before the committee on 3 May, he explained that the department's expenditure proposals for the next year—the third year of the comprehensive spending review—would amount to some £1,992 million in cash terms, as set out in "Investing in You".

Although the main focus of the spending review was on adding expenditure proposals for 2002-03 and 2003-04 to our existing plans, as part of that process we have been extremely successful in securing additional funding for next year, which has resulted in a revised baseline of £2,146 million. Together with increases for the following two years, that will mean that we will be spending a further £300 million in three years' time on the department's activities, compared with our current expenditure.

Those increases are a major boost for learning and technology, but the aim of the budget has been to put knowledge and learning at the forefront of our agenda over the next three years. It is about learning inclusion, which involves creating more additional student places, with an emphasis on under-represented groups, and providing the means to retain students from those groups once they are in the education system. Learning inclusion will also involve adult literacy, as problems with literacy form one of the most significant barriers to learning. A sum of £22 million has been allocated to adult literacy over the next three years. That money will be spent principally by the further education and voluntary sectors.

I draw the committee's attention to the significant ramp-up of funding next year for student awards and for the Scottish Higher Education Funding Council and the Scottish Further Education Funding Council. Additional expenditure for the funding councils will exceed £100 million. That front-loading is to enable the bodies to achieve additional activity quickly, allowing consolidation with increases that are less, but still significant, in the following years.

Despite the emphasis on learning inclusion, we have not neglected the needs of technology and business support. Over the next three years, more than £40 million will be targeted at investment in technology and in strengthening e-commerce. The priority that we have attached to learning inclusion has meant that some difficult decisions have had to be taken. However, the budget for Scottish Enterprise will increase by £21 million over the next three years, half of which is specifically intended for increased support to small businesses.

We believe that the allocations to Highlands and Islands Enterprise are generous, taking into account a time-limited initiative of £4 million per annum, which was due to cease at the end of next year but which Highlands and Islands Enterprise is now being allowed to retain. As a constituency MSP and the minister with specific responsibility for the Highlands and Islands, I particularly welcome that.

The effect of year-on-year baseline increases for the Scottish Tourist Board will mean additional expenditure provision of £12 million by 2003-04.

All in all, we believe that we have secured a good settlement from the spending review. All our key expenditure programmes will benefit, despite the emphasis that we have placed on driving forward learning inclusion. As I mentioned in my opening remarks, I am being assisted by my able officials, who have a firm grasp of the detail of the budgetary process; I would be happy to respond to questions from members.

10:15

The Convener: Thank you, minister. We intend to cover two broad areas. First, we will address the budgetary process—a subject about which the committee raised concerns earlier in the year. Secondly, we will ask about the specific figures.

I welcome to the meeting David Davidson, who is a member of the Finance Committee. I will be happy to bring him into the debate when he indicates that he wishes to participate.

Miss Annabel Goldie (West of Scotland) (Con): Thank you for your helpful comments, minister; I acknowledge the constraints that you

are under, having recently taken up your post.

Examining the figures over the three-year span, I am slightly concerned about the funding for higher education. I accept your explanation that there is an attempt to kick in funding at the early stages, but I note that that pans out from 2002-03 to 2003-04 to very little indeed. I am conscious that Scottish higher education has concerns about the funding of research. Are you satisfied that the projected funding over three years is a reasonable way in which to meet the obvious challenges confronting higher education? Are you satisfied that the Scottish Higher Education Funding Council will not apply a policy of retention, as it did last year, which left many of our universities in a difficult situation? If so, it would be reassuring for the universities to know that whatever is budgeted for them will reach the institutions.

I make those remarks in the context of the figures further down the projected analysis. I suspect that many people in receipt of budget allocation from the department will pray that they are in the "Other" category, which seems to be scoring at the expense of areas that might justifiably ask why they are not doing better.

Mr Morrison: I am grateful to Miss Goldie for recognising that my recent arrival might limit my responses to the committee. As I said, there will be an additional £100 million for the funding councils. That money is being front-loaded to allow the organisations to get on with their important business, rather than having a slow gradient of income. As Miss Goldie says, that will result in a levelling-out over following years. SHEFC must set its own priorities. Research is an important area and requires adequate and appropriate levels of funding. I invite Douglas Baird to give the committee further details on the funding.

Douglas Baird (Scottish Executive Finance): The additional expenditure allocation that is being made available to the funding councils over the three-year period includes money for commercialisation of research. That amounts to £7.5 million over three years.

Mr Eddie Frizzell (Scottish Executive Enterprise and Lifelong Learning Department): It is important to remember that there are two streams of research funding for the universities: funding that comes through SHEFC and funding from the research councils. The combination of those two streams provides the universities' research base.

As for top-slicing, it is up to SHEFC to decide how it parcels up the money. SHEFC is aware of the criticisms that have been made in respect of top-slicing and the possible reduction in the amount of discretionary funding. The minister has told SHEFC that, although certain things were in

mind when the allocation was decided, there is flexibility. The Executive is not seeking to constrain SHEFC's ability to apply the money. A key factor behind the allocation was to ensure that the quality of provision in the universities is sustained. We have made allowances within the allocation for widening access and we expect SHEFC to take account of that. That is a distribution issue, rather than one of top-slicing.

Dr Elaine Murray (Dumfries) (Lab): When we examined the initial budget some time ago, there appeared to be considerable sums of unallocated money, which it was thought might be needed for the implementation of Cubie. Can you update us on the current situation in respect of unallocated funding?

Mr Morrison: There is a sizable sum of unallocated money—to be precise, I am told that it is £26,834,000. As one would expect, that money will be subject to much debate and discussion. If, for example, the Scottish Qualifications Authority receives more cash, the money will come from that pot. We are in the fortunate position of having unallocated money. However, there will be robust discussion and ministers will decide on its distribution as part of an on-going process.

Marilyn Livingstone (Kirkcaldy) (Lab): Minister, I was pleased to hear you talk about inclusion in learning and the intention that further and higher education colleges should widen access. However, having heard evidence during our inquiry into the SQA, I am concerned about the fact that colleges of further education were not given the flexibility that was given to some universities. The fee income of some colleges might be down this year, which could have an impact on widening access. Will ministers investigate that impact? Perhaps some of the unallocated funding could be used to alleviate the problem.

Mr Morrison: The £27 million will form part of an on-going process and discussion. At a departmental level, we will certainly discuss the allocation of those moneys. The first port of call for colleges that are facing difficulties would be SFEFC, which has a facility to deal with emergency situations in the short term. I suspect that colleges will approach SFEFC to overcome the difficulties that have arisen as a result of the SQA situation. As part of that process, ministers would discuss how best to use the unallocated money. The funding councils have flexibility and emergency powers.

George Lyon (Argyll and Bute) (LD): I have two questions. First, at the last meeting at which Nicol Stephen gave evidence on the budget, the Highlands and Islands Enterprise budget was mentioned. As we can see from the figures, over the next three years there will be a decline in that

budget in real terms. That is extremely worrying given the challenges that the Highlands and Islands face in job creation. Nicol Stephen told us that there were unallocated amounts in the budget for Scottish Enterprise that should have come under the heading for Highlands and Islands Enterprise. Is that still the case? Moreover, can HIE use end-year flexibility or bid for extra resources if it were likely that a significant inward-investment project would come to the Highlands and Islands?

We have discussed the Scottish tourism budget a number of times. The feedback that I am getting on funding to area tourist boards is that, despite the guarantees given last year by the Scottish Executive, the formula for ring-fencing money that goes through local authorities does not appear to be working—it certainly is not working for the tourist board in my area, which has had its budget cut. Minister, you have undertaken to re-examine the issue and to consider the direct funding of the tourism sector to ensure that it is given its rightful place as an industry that we want to be successful. At what stage are you with that review of the funding formula?

Mr Morrison: The apparent discrepancy in the Highlands and Islands Enterprise budget can be partially explained by the fact that individual learning account money and modern apprenticeship money resided in the Scottish Enterprise budget and had not been factored into the Highlands and Islands Enterprise budget.

It is worth pointing out that, subsequent to the committee's meeting with Nicol Stephen, there may have been further adjustments to the data that were not reflected in the baseline. For 2001-02, the budget may have been around £68 million. The revised budget is now in the region of £70 million. Similarly, when Mr Stephen was before the committee, the budget for 2002-03 would have been around £70 million, whereas the revised budget is closer to £71 million.

I repeat what I said in my opening remarks: Highlands and Islands Enterprise has been allowed to retain the cash that had been earmarked to deal with infectious salmon anaemia. That move has been welcomed. Henry McLeish and I recently met Jim Hunter, the chairman of Highlands and Islands Enterprise, and the then acting chief executive, Sandy Cumming—who, yesterday, after due process and interview, was appointed the chief executive of Highlands and Islands Enterprise. Both were happy with the allocation for next year.

We are aware that there is a mixed picture in relation to the guarantees that we were seeking from councils on tourism funding. Some councils—such as the City of Edinburgh Council and Glasgow City Council—are performing well and

are taking seriously their responsibilities in relation to tourism but we are conscious of the fact that, historically, other councils have not taken those responsibilities seriously. Mr Lyon might recall that we highlighted that problem when Mr McLeish launched the tourism strategy. Mr McLeish said that the situation would be monitored and would be revisited in a year's time, as tourism is too important an industry to neglect. We are keeping a close eye on what councils are doing in relation to tourism.

Mr Lyon asked whether Highlands and Islands Enterprise would be able to use end-year flexibility if a situation arose in relation to a significant inward-investment project. The short answer is yes, and I sincerely hope that it would do so. It would be in everyone's interest if Highlands and Islands Enterprise were proactive and got in among ministers to pitch for the necessary money in relation to big projects that are in the offing.

The Convener: The budget for the Scottish Tourist Board is a line item in "Making a Difference for Scotland", but there is also tourism spend by Scottish Enterprise and Highlands and Islands Enterprise. Would it be possible to give us information on the total tourism spend in lowland Scotland, which is covered by Scottish Enterprise, and in the Highlands and Islands, which is covered by HIE. I realise that such information might not be readily available, but we should consider the total tourism spend, rather than only the STB spend.

Mr Morrison: That is an important point. Often, when the media compare the tourism spend in Scotland with that in other countries, the figure used is the STB spend, although other agencies spend money on tourism. I do not have that information with me, but by Friday we will, if at all possible, give the committee a detailed breakdown of the spend.

The Convener: That will allow us to see whether total tourism spend is rising or falling.

George Lyon: It would be useful to have that information, as we are always being compared with our competitors in other countries. I know that the Irish tourism budget figures include educational courses and every damn thing that you can think of. The budget appears substantial, but a huge amount of it is not direct spend on marketing.

10:30

Mr Morrison: In fairness to the officials, I think that it would be next to impossible to do that kind of analysis before Friday. The information that the convener requested, however, should be readily available and with you by 5 pm on Friday.

Ms Margo MacDonald (Lothians) (SNP): I am particularly interested in this issue because of the

implications for lifelong learning. Although I appreciate that the figures on that aspect of tourism-related spend will be difficult to get, it is essential that we have them.

The Convener: Scottish Enterprise can identify tourism training as a line item. I presume that that will be included in the figures that the minister will provide. That might not cover all the training that goes on in relation to tourism, but it would go a long way towards identifying the main areas of spend.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I understand that some local enterprise companies have been providing matched assistance to enable business-led local marketing initiatives for tourism. That area should be encouraged. For example, a local marketing initiative by tourism businesses in Nairn has had some success. Minister, is that an area that you could examine with ensuring that Scottish Enterprise and Highlands and Islands Enterprise budgets can be used for that purpose? There seems to be some doubt about that.

Mr Morrison: I will be happy to clarify that in due course. Local marketing initiatives are vital. Mr Ewing will be aware of the success of the business-led golf initiative in the Highlands and Islands.

In my constituency—a wonderful place, where all committee members should holiday—the local authority is developing a local marketing strategy into which are going sizable sums of money. In the Western Isles, businesses are playing ball with the local authority.

As the strategy document highlighted, people should stop being territorial in relation to marketing. Western Isles Council is looking to co-operate with Highland Council, which is useful. Tourists can be confused by leaflets that cover only 10 miles towards some perceived border. That approach is useless in any attempt to disperse tourists.

Fergus Ewing: I know that the Ossian project and the visitscotland.com online booking system are a major part of the Executive's tourism strategy. I understand that Ossian will be the subject of a public-private partnership. I have heard that there are concerns that an extraordinarily high proportion of the costs of the PPP will go into the coffers of consultants of various kinds—lawyers, financial advisers and computer specialists. I am sure that that will be of great concern to the industry in general, coming as it does on top of a large number of questions about the operability of the visitscotland.com site and its online booking system. I appreciate that you may not be able to give an answer today, but could you examine the matter and report back to

the committee?

Mr Morrison: Mr Ewing is right to highlight the importance of the Ossian project. He says he would be concerned if millions of pounds disappeared into the hands of consultants and computer experts. It goes without saying that the development of Ossian requires the expertise of computer specialists. I do not have a detailed breakdown of where the money for Ossian is going. Ossian is an important project, which cannot be allowed to fail. In other countries that are at the forefront of tourism, such as Spain, there are well-financed, sophisticated sites, and we must have the same. I will be happy to furnish the committee with further detail on Ossian.

Mr David Davidson (North-East Scotland) (Con): Before I have a pop at tourism, I would like to look at the numbers. Last year, you had unallocated provisions and underspends, which were penalised in the sense that 25 per cent of the total was pulled back by Mr McConnell, presumably for reallocation by the Executive. The amount that was returned to the centre was £30 million. What is the projected figure for unallocated provisions and underspends for this year, of which the Minister for Finance and Local Government could take a piece, thus reducing the amount of money that is available to be spent in your brief?

Mr Morrison: Decisions are still being taken on the final detail. Mr Baird may be able to enlighten you further. You are right that 25 per cent was taken back by Jack McConnell. The department was entitled to make bids for money from that pot, so we did not lose the money.

Mr Davidson: What did you bid for and what did you get?

Mr Morrison: Again, I think that my officials are best placed to respond to that, as they have a grasp of the specifics.

Mr Frizzell: My recollection is that capital for further education colleges came out of the central resources—I will check that.

The Convener: You say that it is too early to specify the unallocated amount, but the briefing that we have received gives a projected unallocated provision of £26.8 million.

Mr Frizzell: I think that we are looking at the annexe to the letter from Nicol Stephen. At the bottom of that annexe, it refers to agreed claims on central reserve and mentions "SFEFC Infrastructure/Disability Access". That money will improve the fabric of further education colleges, focusing on improving access for the disabled.

The Convener: As I understand it, the question is: what happened to the amount that was unallocated at year end last year, which totalled nearly £30 million? Secondly, what will happen to

the current projection of £26.8 million for unallocated provision at year end this year?

Mr Davidson: I am asking about the 25 per cent that may be clawed back; I wonder whether that matter has been flagged up. I do not expect the minister to answer fully today, but a serious requirement of the budget process is that the committee has an indication of the target that the minister will set for clawback into the centre; we must report on that to the Finance Committee. If the minister wants to take that question away and report back to the committee, that is fair enough.

Last year, when I asked Mr McLeish what sanctions he would use against local authorities if they did not produce their indicated support for area tourist boards, he answered that there would be no sanctions. Does that mean that you are actively considering direct funding for area tourist boards? If so, are you also considering using some of the unallocated money to help area tourist boards to fund accreditation schemes? There is a huge quality issue in Scotland. There are good examples and we want to learn from best practice, but there is a need for investment in accreditation schemes so that area tourist boards can do their job locally. Are you prepared to spend money in that way?

Mr Morrison: The convener will be given information on the clawback.

On the direct funding of ATBs—a matter that I suspect Mr Davidson has raised in every debate on tourism in the Parliament—the position is the same as it was in February. On launching the strategy, Henry McLeish said that we would examine the matter after 12 months and, in the meantime, monitor closely what local authorities were doing on tourism. We will reach decisions on the funding of area tourist boards after the turn of the year.

When you refer to accreditation schemes, do you mean quality assurance schemes?

Mr Davidson: I mean quality assurance schemes, benchmarking and sorting out what tourism service fits into what grade.

Mr Morrison: Quality is important. I know many people demanded that we have compulsory registration and a whole host of things, but evidence from Ireland proves conclusively that compulsory registration does not result in improved quality. There is a divergence of views in the industry on that issue. We have decided not to dwell on the issue of compulsory registration.

Mr Davidson: Do you intend to support actively the Scottish tourism centre at the Robert Gordon University?

Mr Morrison: Many colleges are developing tourism courses. I do not have a grasp of the detail

of what is happening at the Robert Gordon University, but I am certainly interested in hearing what the university is doing.

George Lyon: Will the minister make information available to the committee on tourism funding for this year? I refer to what councils have passed on without cuts. That information should be available now.

Mr Morrison: I will ensure that you have that information by Friday.

The Convener: Before we move on, I want to return to the unallocated funds. There is a significant difference between the total departmental figures in "Making a Difference for Scotland", which was published in September, and those in the October budget revisions. For example, in the September document, the total provision for the department in 2000-01 is £1,969,700,000 based on current prices, but in the budget revision, the total budget is shown as £2,084,589,000. The difference would be even bigger if the September figure were given in real terms. What explains that difference?

Mr Morrison: I am happy to defer to Mr Baird.

Douglas Baird: I had intended to make one or two points about end-year flexibility and unallocated provision.

The difference between the two figures will be due to the fact that, at the beginning of this year, we brought into this year's figures underspend moneys from last year, less 25 per cent. We added to that unallocated money that we already had this year. The unallocated money sits in the "Other" budget line. Once we had added those two amounts, we made a number of allocations for this year only. It is important to realise that allocations from unallocated money can be made only within the year, and the money has to be spent within the year.

I am not familiar with the exact reasons for the difference between the figure in "Making a Difference for Scotland" and the figure in the budget revisions, but I suspect that it is accounted for largely by the allocations that are detailed in Nicol Stephen's response to the committee's report on the budget process, in which the additional in-year allocations are listed. The budget revision document is part of the process by which the allocations are eventually approved by the Parliament. The allocations are not included in "Making a Difference for Scotland" because they have not yet been approved.

The Convener: Can you provide us with a detailed breakdown of the difference between the two figures?

Douglas Baird: As I have explained, there may be differences at the margins that I can deal with.

The Convener: In a similar vein, the budget document contains a provision for capital receipts of nearly £25 million. Where does that come from?

Douglas Baird: I suspect that a large part of it may be within Scottish Enterprise, but I would have to check to be sure. I can cover that point when I give you the detail that you have asked for.

10:45

Elaine Thomson (Aberdeen North) (Lab): This is not a question on end-year allocations or tourism in particular; it concerns some of the committee's responses at stage 1, particularly the last sentence of recommendation 2. The minister, rightly, highlighted the importance not only of developing the knowledge economy and making the necessary investment in education, but also of investment in e-commerce and ensuring that the Ossian project is up and running for tourism.

Recently, with other committee members, I attended a demonstration by Scottish Enterprise of the knowledge web, or k-web, that it is developing. If successful, that will be an effective tool for economic development in Scotland. We asked that developments by Scottish Enterprise be made available to Highlands and Islands Enterprise. That would ensure that we get the best use from the money that is being spent in this area. I have a query about that, because we have not had a response from the Executive.

My second point refers to recommendation 14. We asked for improved monitoring of rurality, ethnicity and gender. I note that the response refers mostly to further and higher education. To the best of my knowledge, some of the monitoring in that area is already rather good. The committee was looking for monitoring across the whole budget area of enterprise and lifelong learning, not just on the lifelong learning aspect.

Mr Morrison: I guarantee that Highlands and Islands Enterprise gets its share of the cake with regard to the knowledge economy. HIE gets its proportion of allocations that are made to Scottish Enterprise to drive forward the knowledge economy. It is my business to ensure that that is the case.

Douglas Baird is keen to answer the question on rurality and monitoring.

Douglas Baird: You are correct that the committee recommended in its report that it should have that information. I recall that, at the time, we said that we would give the committee the information that it was asking for in relation to further and higher education. The reason for the delay in responding was that the Scottish Further Education Funding Council was developing its website, on which that information was included. I

wrote to the committee two days ago—the letter may not have reached you yet—with all the information that I could gather on further and higher education.

Elaine Thomson: But we wanted the information not just on further and higher education; we wanted monitoring to be extended, especially into economic development areas and spending by Scottish Enterprise, where feasible.

Douglas Baird: By and large, when spending bodies are given letters of guidance each year about their allocations and the targets that underpin them, they are required to ensure that they can deliver those targets and, at the same time, provide us with information so that we know that they have achieved them. Monitoring is up to those bodies and, as far as I am aware, they do it.

The Convener: One of the points that is emerging from the SQA inquiry is the lack of proper procedures by the sponsoring department—in this case your department—for monitoring the agency's performance. The major concern is how the department monitors the performance of the agencies that it sponsors. Perhaps there is a need for the department to look thoroughly at how it does that—a quarterly chat with the chief executive and the chairman over a cup of tea is clearly inadequate.

I have two questions on performance targets. First, the budget provisions document includes targets for each line item in the budget, but the targets relate only to the first year of the budget. Can we have the targets for each of the subsequent two years, so that we can look at the spend and the performance targets over the period of the budget? Can we also have reports, at least annually, on actual performance against each of the targets?

Secondly, in addition to providing performance targets, will you indicate the outputs that you expect for the money? We have no indication, from how the budget is presented at the moment, of outputs.

We acknowledge that advances have been made with resource budgeting and so on, but there is no correlation between performance, output and spend. If we are to be able to evaluate whether taxpayers are getting a return for their money, we need the targets, the performance against the targets, the target outputs, and the performance against the target outputs, as well as the throughputs and the spend. Can we have an undertaking that that information will be made available for the three-year period?

Mr Morrison: As part of the comprehensive spending review, we are required to identify outputs and targets for additional expenditure. Those are laid out in letters of guidance to the

bodies that we fund, and the bodies are then required to monitor and report on their achievements. The key targets are published in "Investing in You."

As far as reporting for the three years is concerned, I do not think that we will be able to do that in the short term, but perhaps Mr Frizzell would like to explain the mechanisms.

Mr Frizzell: We could consider how that could be done, if that is what the committee wants. Various publications in the finance series will contain some information, but we will take away the request.

The Convener: If you issue performance and output targets in your guidance notes, it seems sensible to build in those targets to all the financial reports so that we can evaluate whether we are getting a return for the money.

Mr Morrison: That is a fair comment.

Douglas Baird: On the targets in the budget revisions document, the revisions are largely for this year. I suspect that the targets relate to the increased expenditure for this year; I can check that. It is not implicit that the changes will roll forward into later years.

The Convener: But one of the deficiencies is that when someone looks at the budget documents, they need a research scientist to go through the previous publications to establish whether targets have improved as a result of the increase in the expenditure allocation.

Douglas Baird: You mean, what is the additional expenditure buying?

The Convener: To evaluate effectively how well money is being spent, we need all that information.

Mr Morrison: That is a good point, convener.

Nick Johnston (Mid Scotland and Fife) (Con): The minister will be pleased to hear that I will not be asking about the Scottish Tourist Board.

I want to move on to departmental investment assistance, which—I presume—is money that is outwith the control of HIE and Scottish Enterprise. It is notoriously difficult to predict the level of budget that needs to be set for that; you said that it was roughly 3.5 per cent of the departmental budget. How do you decide which projects qualify for DIA, and do you intend to help existing indigenous businesses? One of the criticisms that we hear constantly is that newcomers get all the help and indigenous businesses get nothing.

How soon will you be able to identify whether there will be an underspend on that specific budget line, and how will any underspend be reallocated to avoid the situation, which we have

talked about, of 25 per cent being clawed back by the rapacious grasp of the finance department?

Mr Morrison: I would not dream of calling my colleague Angus MacKay rapacious.

Ms MacDonald: Perhaps when you get to know him better.

Mr Morrison: Indigenous businesses already get support. A number of members have mentioned that underspend—I think we have spent it 20 times over today. Again, Mr Frizzell will be able to outline further the detail of how we allocate.

Mr Frizzell: UK guidelines exist for the payment of regional selective assistance, which is what DIA is. England has a parallel scheme. Clear criteria are laid down, and applicants have to submit a business case. Some applications are settled at official level. Large projects go to the Scottish Industrial Development Advisory Board, which meets every month and discusses whether a project should receive assistance. Money is paid out on the basis of SIDAB's recommendations.

Indigenous companies receive regional selective assistance. I am not aware of such companies being squeezed out by inward investors, but inward investment projects tend to be bigger, so they attract a bit more RSA. We are conscious of the need to assist indigenous companies, especially in business start-ups and growth. This year, we introduced a faster-track scheme called invest for growth; the scheme is aimed specifically at smaller businesses, to ensure that they get their applications in and that their applications are processed quickly. We are alive to the needs of indigenous businesses, as far as RSA is concerned.

Nick Johnston: How soon will any underspend be identified?

Mr Frizzell: That is notoriously difficult to predict, although an underspend is running at the moment. It depends when the business cases are submitted, how long it takes to progress them and when they are agreed. We will know in the last quarter of the year whether we will have an underspend at the end of the year. We will certainly seek to roll the underspend forward if we can.

That is the benefit of having a reserve. The programme is big, and demand led; it depends what business cases come forward. It is helpful to have some flexibility, in the form of end-year flexibility or even—if I may say so—a claim on a central reserve if it is needed. We will know for sure what underspend there is only by the end of the financial year—there is always a push towards that time.

Mr Davidson: If there will be a fairly large,

unallocated balance, do you intend to advertise to Scottish businesses that they should apply for some of it? I am not talking about accepting rubbish applications, but about encouraging people to participate in the programmes.

Mr Morrison: This process is part of the mechanism of advertising the fact that we have an underspend. An agency such as Highlands and Islands Enterprise, which knows what it wants, will make it its business to ensure that it gets in there. Although it is happy with its settlement for next year, it would find a home for additional resources—I am sure that I will be chapping on its door shortly. However, this process is helpful to enlighten people about any underspend. I have no doubt that we could spend it 100 times by midday today.

Ms MacDonald: I think David Davidson was saying that he wanted to see an improvement in the internal marketing—tied in to the time of year—so that business is geared up for any underspend. In all the evidence that we have heard, no one has ever said that they were aware that there are different considerations at different times of the year regarding the availability of money. Heading up to the year-end, they could be thinking, "We might have a bit more to play with", but nobody has ever said that.

Mr Morrison: I am happy to take that suggestion on board and to discuss it with officials after the meeting.

Douglas Baird: You might well say that here we are, in October, still hanging on to the £27 million. When we arrived at that figure, after we had made allocations earlier this year, we did not know the outcome of the spending review in relation to funding for Cubie next year. It may have been necessary—call it a contingency if you like—to hang on to an allocation of that sum, in case we had to carry it forward into next year to pay for Cubie.

We were fortunate in the spending review, in that we received cover for the Cubie money, so now we are trying to move quickly to get some of that money to where it is needed. You are right—that money will have to be spent by the end of the year; it is not continuation money, but a one-off.

The Convener: I want some additional information that does not appear in the documents. First, will you give us details of the budget for this year and the next two years for spending on the new deal, which comes out of part of your budget, and associated performance and output targets for the new deal programmes? Secondly, is it possible for us to get similar information for the estimated spend on the Scottish University for Industry? We would want to consider that.

Thirdly, we are in the early stages of the introduction of resource budgeting, one of the objectives of which is to try to smooth out the profile of spend—especially of agencies—so that a large chunk of the money is not spent, or wasted even, in the last quarter. I realise that it might not be possible by Friday, but will you provide us with any evaluation you have undertaken of whether the profile of spend has improved this year as a result of the introduction of resource budgeting, or any information you have on the profile of spend?

11:00

Mr Morrison: Information on the new deal and the estimated spend on the Scottish University for Industry should be readily available. Information on the third item may take a bit longer.

The Convener: That is fine.

Douglas Baird: Although—apart from the Students Awards Agency for Scotland line—the figures you have here are stated in resource terms, all the other items can be treated as cash. There are no resource implications on all the other lines at present.

The Convener: Compare your spending plans on enterprise and lifelong learning for the next three years with growth in the same areas of spend in the rest of the UK over that period. If we had the same rate of growth, we would be spending something in the order of £490 million above what is already budgeted.

If we consider the competitive pressures on the enterprise side—in relation to inward investment and the expansion of indigenous businesses—and the lifelong learning side, where it is obvious that we must upscale substantially to compete effectively, that differential represents a potential threat to the competitiveness of the Scottish economy. Clearly, the spend on those areas in the rest of the UK is rising substantially faster than in Scotland. Will you provide us with a comparative analysis of where you believe the differences lie and consider the impact of that on our competitive position?

Especially now that there are so many regional development agencies south of the border, there is a real danger that, on top of all the other pressures we face from the expansion of the European Union and so on, the pressure on the Scottish economy as a result of that low growth—or negative growth with Scottish Enterprise at one stage—in spend could be a major threat to the long-term improvement of the Scottish economy. Will you comment on that?

Mr Morrison: That is an interesting analysis; I suspect that we will find ourselves debating many

of the issues that you raise from opposite sides of the chamber. My colleagues may want to add to that, although it has a political dimension.

The Convener: But facts are chieftains that winna ding and the fact is that growth in projected spend in those budget areas south of the border is significantly higher for the next three years. That has serious implications for the Scottish economy. Will you consider that and give us your comparison and your views?

Mr Morrison: I will be happy to consider that, although not by Friday I suspect.

The Convener: Saturday will do.

If committee members have no other questions, I thank the minister and his officials. You have been in the job for only 48 hours, minister, so thank you for attending at such short notice. We look forward to giving you a much harder time the next time we see you.

Mr Morrison: Thank you for your gentle—and genteel—approach. As I said at the outset, the matters of detail should be in your possession by close of business on Friday. I suspect that the next time I am in this chair, it will not be as comfortable.

11:04

Meeting adjourned.

11:13

On resuming—

Education (Graduate Endowment and Student Support) (Scotland) Bill: Stage 1

The Convener: I said at the beginning of the meeting that all mobiles and pagers must be switched off. Someone broke that rule. I do not know who it was, but we could hear a mobile or a pager. Mobiles and pagers must be switched off—otherwise if we find out who it is, you will go to the tower.

We have apologies for this part of the meeting from Fergus Ewing, who had to leave. I welcome Mike Rumbles, who will be able to contribute during the meeting.

Before we move on to hearing evidence from our witnesses this morning, I should tell the committee that I have received a letter from Nicol Stephen. Although he is being moved to become Deputy Minister for Education, Europe and External Affairs, he will still have ministerial responsibility for the Education (Graduate Endowment and Student Support) (Scotland) Bill.

I will read out what the letter says, so that it will be incorporated into the *Official Report* of the meeting.

"Dear Alex,

I am conscious that Stage 1 consideration of the Education (Graduate Endowment and Student Support) (Scotland) Bill commences this week. In view of that, I thought that it might be helpful if I were to write to the Committee now to signal that, having had some time to consider the Bill since it was first submitted to the Parliament at the beginning of September, we intend to bring forward some changes to the drafting.

We believe more should be done to align the terms of Section 1 with the key principles of the Bill, as set out in the Policy Memorandum, which establishes the principles of the graduate endowment scheme, and to reflect the proposals on which we consulted, in *Scotland the Learning Nation—Helping Students*.

For example, it is a fundamental feature of the scheme that the graduate endowment will be sought only from graduates (and those who have successfully completed their course but for whatever reason not graduated). At present that position is delivered through the regulations rather than the bill itself. We would like to build a more explicit link into the Bill. We also think it would be desirable to make clear on the face of the Bill the important connection between liability for the endowment and the provision of bursaries.

In addition, Section 1(1)(a) refers to the institutions which graduates must have attended in order to fall within the terms of the scheme, which are those in receipt of support through either the Scottish Higher Education Funding

Council or the Scottish Further Education Funding Council. However, as members of the Committee may be aware, the Scottish Agricultural College receives its support directly from the Executive, through the Rural Affairs Department. It has never been our intention that SAC graduates should be outside the scheme and we intend to bring forward an amendment to ensure that they are treated on the same basis as graduates who have attended other publicly-funded institutions in Scotland.

I am also advised that there would be benefit in reviewing the wording of the regulation-making power in Section 1(3), to make sure that this gives exactly what is needed to deliver the exemptions in the form they are now set out in the illustrative regulations, which I understand that the committee has.

We would like the Committee to be able to take account of these changes in reporting on the Bill at Stage 1, rather than wait until Stage 2 to introduce amendments. However, we also do not wish to disturb the Committee's timetable for scrutiny and are conscious that arrangements are already in place for the Committee to take evidence from a range of witnesses. We think the most helpful way to deal with this would be to undertake to introduce a revised Bill ahead of the Stage 1 debate, but for the time being to leave the existing Bill in place and withdraw it once a revised version is available.

I very much hope this will be helpful to the Committee."

I had a meeting with the minister this morning before the committee met, at which he gave me the letter.

I will make several points to the committee. First, it is disappointing, and I said this to the minister, that the proper homework was not done before the committee started its proceedings on stage 1. It is a matter of regret that at this late stage we are having to put the bill on hold until proper drafting has been prepared. The committee should make it clear that that is not a particularly acceptable way forward.

Secondly, however, having said that, I agree with the minister that it is much better to make those changes at stage 1 in the bill than at stage 2. Parliament has already expressed disgruntlement at previous bills when substantive amendments were introduced at later stages. In light of that, it is better to bite the bullet now, make the amendments and get stage 1 right rather than leave it to stage 2.

Thirdly, the time scale for the bill is crucial, because if it does not reach the royal assent stage by some time in April next year, students will not be in a position to receive their bursaries at the start of the next academic year. I am sure that both the minister, Nicol Stephen, and the committee agree that our priority must be to ensure that students are in such a position.

That said, our initial time scale of completing stage 1 by Christmas is probably unrealistic. The minister estimates that it will be a month before the new bill is published and presented to the committee, because once the drafting changes

have been completed, the bill must go through certain approval procedures, the Presiding Officer's office and so on. The committee would not bear any responsibility for any delay on the bill, because we have set a timetable to ensure that we meet the time scale for stage 1 consideration and for overall consideration of the bill.

A further complication is that one of the Executive's changes in the new bill—which is a change that I welcome—is that affirmative, not negative, instruments will be used for the eventual enactment of many of the bill's provisions. That provision should probably have been included in the initial bill. However, the change has quite significant implications for timing, because 40 days must elapse between the introduction and approval of an affirmative instrument. As a result, it is all the more important that the bill receives royal assent to allow the appropriate affirmative instruments to be laid before Parliament and the 40 days to elapse before the bursaries are introduced.

Before opening the matter up to the committee, I should say finally that we have two sets of evidence this morning—one from the civil servants, and the other from the National Union of Students. I strongly suggest that we move forward on the basis that the principles of the bill will remain the same; the changes are about embodying the principles in the policy memorandum. However, when we discuss the revised timetable next week, we must decide whether we proceed with the remaining evidence at this stage or wait until the new bill is published. If we go ahead with more evidence-taking sessions at this stage and more substantive changes are introduced, we could be put in the pretty ridiculous situation of having to bring witnesses back a second time.

Although I will take any comments on the situation, we should bear in mind the fact that we have to hear two sets of witnesses this morning.

Mr Duncan McNeil (Greenock and Inverclyde (Lab)): I will keep my comments brief. I share your concerns about timing. We have been presented with this situation on the very morning that we are taking evidence on the bill. As for the issue of delays and timetable slippages that you emphasised, the Parliamentary Bureau has just agreed that stage 1 should be completed by 14 December. As you have pointed out, that will not be possible; and we need firm assurances that stage 1 consideration should not go beyond January. It is disappointing to have been presented with this state of affairs this morning, despite the positive outcomes and the fact that we are not setting a precedent, as we have proceeded with evidence sessions before without having seen the bill in full.

Miss Goldie: I endorse Duncan McNeil's comments. I have read through the provisions of the bill and the regulations, and my questions are slightly more general. I was slightly curious at the fact that there is no provision for a discount if a graduate decides to make a one-off payment. As I understand it, that money would simply go to the Scottish ministers.

The Convener: Could you keep that question for the evidence session? I think that I want to confine this discussion to the issue of the delay to the bill. Do you have any specific comments on that point?

Miss Goldie: No.

George Lyon: You said that the stage 1 parliamentary debate on the bill might have to slip. How much room is there for timetable slippages? If we do not get the bill in place in this legislative programme, students will have to wait a full 12 months before they receive any bursaries or grants.

Simon Watkins (Clerk): We will have to wait to investigate that issue, as we have only been made aware of the changes. The bill will be reintroduced four weeks from now, which roughly coincides with the time that we would have been agreeing our stage 1 report. Clearly, that means that there will be slippage. Perhaps we could do some research before next week's meeting to give members some guidance.

George Lyon: It would be useful to find out how we will accommodate the changes.

The Convener: Absolutely. The committee and the Executive have a moral commitment to ensure that we work together to get the bill through in time for the bursaries to be paid out next year. As far as I am concerned, that is the overriding consideration and we need to pull out all the stops. However, that means that the homework will have to be done and that the reintroduced bill must be properly drafted; the situation must not be repeated.

George Lyon: Can we send a letter to the Executive outlining our concerns about and disappointment with the situation?

The Convener: Yes.

Simon Watkins: I should clarify one point. Next week's meeting is in private. If members wish to add this issue to our agenda for that meeting, they will need to agree to discuss it in private.

The Convener: Do members agree to discuss the issue of the time scale in private at next week's meeting, and to make any agreed time scale clear to the minister after the meeting?

Members indicated agreement.

The Convener: I welcome to the meeting representatives from the Scottish Executive enterprise and lifelong learning department: Lucy Hunter, head of the higher education, science and student support division; Gillian Thompson, head of the student support branch; Jim Logie, from the office of the solicitor to the Scottish Executive; and Frank Duffy, head of the council tax policy unit. Lucy Hunter will give a brief statement and then we will move into questions.

Lucy Hunter (Scottish Executive Enterprise and Lifelong Learning Department): As the background of the bill will be familiar to committee members, I will not rehearse it. The bill simply progresses three issues: first, the graduate endowment; secondly, the provision of a power that will enable ministers to provide support to distance learners; and thirdly, an amendment to council tax legislation to assist students.

Those issues were part of a package of proposals that the Executive put out to consultation in May in a document called "Scotland the Learning Nation: Helping Students". It might be helpful if I point out that the proposals in that document are the parts of the package that require primary legislation. Powers already exist for some other parts of the package such as the bursaries for low-income students and additional loan support. Ministers very much see the bill as a linked package of measures to produce a system that will be significantly helpful in widening access to higher education for people from disadvantaged backgrounds.

The Convener: I call Annabel Goldie to ask her questions.

Miss Goldie: I have an insatiable zeal to get to—not get at—the witnesses. I should be grateful if you would explain in simple terms how the repayment mechanism operates. I envisage a situation in which on graduation a liable graduate pays £2,000 to the Scottish ministers. Is that right? If so, what happens to that money? Does it go into the general enterprise and lifelong learning pool, or does it go somewhere else?

Lucy Hunter: On graduation, students will have the choice either to pay a cash sum or to take out a student loan. The resources—the cash sum or the loan—that are generated will be scored as income directly to the Scottish Executive. If the income is a student loan, we will have to take into account the fact that there is a cost to the Executive, because of the nature of the loans and the way in which we resource account for them. That reflects the fact that the loans are not repaid in full and that we subsidise the interest rate so that it is held at a retail prices index level.

Two things therefore go on: there is an income stream of £2,000 per person, and we must take

into account elsewhere in our accounts the resource cost of a student loan. As a result of those two transactions, additional resource will be available to the Executive, which will form part of the Executive's general funds. At the moment, student support is paid out of the Executive's general funds. Under the planned new system, bursaries and extended loans will be an embedded part of that system. All those payments will come out of our general funds, so the graduate endowment is intended to come into our general funds.

That is a simple explanation of how the system will work.

11:30

Miss Goldie: I want to probe that further. If a graduate opts to take a loan, how is the bookkeeping done? Does the Student Loans Company Ltd give the money to the Executive?

Lucy Hunter: I will ask Gillian Thompson to say a word about the detail. The Student Loans Company is funded by the Executive, so the cash flow is not the same as it would be if it were a private lender. The bookkeeping exercise happens largely on our accounts. The cost of student loans is held on the accounts of the Scottish Executive. All the transactions happen on our accounts.

Gillian Thompson (Scottish Executive Enterprise and Lifelong Learning Department):

The plan is that there will be no transfer of cash in the system. The Student Loans Company would simply add to the student's loan account, if one exists, or to a new account the amount of money for the graduate endowment. At the moment, we are discussing with the Scottish Student Awards Agency, which will have a role at the front end of the system, and the Student Loans Company, which will cover the back end of the system, exactly how the system will work. We propose to reach an outcome before the end of the year. The committee will then be able to see how we plan the arrangement to work from beginning to end, up to the point when a loan account is increased by the £2,000.

Miss Goldie: That is helpful. Once the system comes into operation, assuming that it does, I believe that the committee would welcome the ability to ascertain at any one time the indebtedness of the Student Loans Company to the Executive. Likewise, we would welcome the ability to be clear about the Executive's receipts from graduate endowments. Otherwise, there could be considerable confusion about what happens in the whole field of funding at the back end when the graduate is asked to produce and produces the money.

My earlier enthusiasm was for the discount. I

notice that there is no provision for a discount in the bill or the regulations if a graduate chooses to make the whole payment up front. In that event, I presume that the payment goes direct to the Scottish ministers.

Gillian Thompson: That would be the case. We anticipate that the student would hand over the money in whatever form to the Student Awards Agency, which currently acts on behalf of the Scottish ministers, receiving money from students, which currently happens on occasion, and providing money to students for living costs.

Miss Goldie: At the risk of being tedious, I must say that I have never known a Government that did not want to get its mitts on money, and pronto. Why is there no benefit to a student who decides to clear their indebtedness with a one-off payment? The Executive benefits from the receipt of the lump sum there and then.

Lucy Hunter: That point was raised in the consultation paper. The Cubie committee said that we should consider whether there should be a discount in any graduate endowment scheme. We asked for comments on that in the consultation paper. The balance came down strongly on the side of not giving an advantage to students who pay a lump sum, who generally would be the better-off students. Ministers acknowledged that that might mean that there would be slightly fewer lump sums, but felt that the arguments put forward by consultees that the system should operate fairly across all graduates were more compelling. That is why there is no discount in the bill.

Miss Goldie: Convener, this last question may stray on to policy, in which case I will understand if the witness declines to answer. For the life of me, I cannot understand how getting money into the Executive sooner than would otherwise be possible at less cost to it could possibly disadvantage other people. Surely, a system whereby the moneys due to the Executive are paid to it, and whereby it has more resource than it expected, must benefit those who are less advantaged, by making more facilities or resources available to higher education.

Lucy Hunter: I think that ministers would say that the argument for equity at the end of the course was more compelling, but it is a matter of policy.

Miss Goldie: Thank you.

Dr Murray: I welcome the availability of loans to part-time students, which is a considerable advance on the situation in the past where part-time students have not had equity with full-time students. The inclusion of distance learning students in the arrangements is also welcome.

I want to find out a little more about the availability of bursaries for mature students, lone parents and disabled students, to part-time students. My understanding is that those bursaries are available only to full-time students. Why is that? Some students study part time because they are in employment, but there are a number of students for whom it is necessary to study part time, perhaps because they are mature students with caring responsibilities or disabled students whose disability makes it difficult for them to engage in full-time study. Will you expand on the thinking behind the arrangements for bursaries and the ineligibility of part-time students for some of them?

Gillian Thompson: As members know, the current situation in relation to part-time students is the one that we have historically had. Until very recently, there has been no support for part-time students other than through the fee waiver, which related to low-income students. The situation changed when we introduced loans for part-time students from 2000. In 1999, we extended disabled students allowance to part-time students. Disabled students allowance allows students to apply for support if, as a result of their disability, they have additional costs over and above what they would be expected to have. We slotted part-time students into the disabled students allowance arrangements for full-time students.

That is where support for part-time students currently lies. That is not to say that it is not an area to which ministers will want to return in the future. However, at the moment, we have no plans to extend the support that is currently provided to full-time students to part-time students. Historically, the view has been taken, although this may not be the case now that more students are going into part-time study, that it was reasonable to expect that part-time students would have other resources on which to draw, because of the nature of part-time study and the fact that they could be expected to be in some kind of employment. I do not think that ministers would want to suggest that it is not an issue to which they may return. At the moment, we are putting in place a new system for full-time students for 2001. That is what ministers have committed themselves to doing.

Dr Murray: You say, rightly, that the majority of part-time students may have other sources of income, but there are a small number of people for whom that is not the case. I would be pleased to hear that ministers may revisit some of those individuals' cases in future.

Gillian Thompson: The Executive will regularly review the support that is available to students. We have moved considerably, especially on the issue of child care grant for part-time further education students.

George Lyon: I would like to hear an explanation of the setting of the income threshold for collecting the loan and the graduate endowment. Cubie's report suggested a completely separate scheme for collecting the endowment, for which the trigger level was £25,000. Why did you decide not to go down that road? Was the decision to set the income threshold taken here in Scotland, or was it a UK decision? What was the previous income threshold level?

The Convener: Some policy questions were in there, so if witnesses feel that they are not able to answer, I think that George Lyon would accept that.

George Lyon: I was asking only for clarification; I am not asking the witnesses to comment on the policy.

Lucy Hunter: I think that I can give Mr Lyon answers to all those questions. As he suggests, the committee of inquiry conceived of a scheme that would run separately from any other scheme, with its own separate threshold. In that scheme, payments by graduates would be made in addition to any other payments that they might be making. For example, a graduate earning £26,000 could still be paying off a student loan for their living costs, and could also be in the graduate endowment repayment scheme, which would have a separate threshold.

Ministers took the view that it would be preferable to build on the existing arrangements for collecting contributions from graduates on an income-contingent basis, so, instead of setting up a separate scheme, they are considering an addition to the loan scheme. That means that there would not be a separate threshold for the graduate endowment. Comparing the thresholds in the scheme in the bill and in the scheme that the committee of inquiry was considering is not comparing like with like. In practice, most students will have some element of loan. The graduate endowment, rather than being an extra hit on students' income once it reaches a certain level, will have an end-on effect—students will be making repayments for longer than they would have been had there been no graduate endowment. It will lead to an additional period of repayments.

Ministers were conscious of the effect of that, so they have made a strong commitment on bursaries and parental contributions. Under the new system, no student will have more debt than they would have had under the system that is being replaced. The total debt that a student at a certain income level will have under the new system will never be more than—and in many cases will be less than—the debt that they would have had under the old system. The graduate

endowment never puts someone into a longer period of repayment than they would have had under the previous arrangements.

At what point does a graduate endowment hit on students' income? It will depend on how much debt they have and on what their earnings profile is. For a person who has a graduate endowment loan and no other, the threshold is £10,000. For someone who has some other debt to clear off first before the endowment has an impact, the threshold may be slightly higher, because they may be on an increasing earnings curve and may be on a higher earning level. Is that a fair comment, Gillian?

Gillian Thompson: The proposal is that, when students take out a loan for their graduate endowment, their liability for the graduate endowment will cease at that point. They will therefore be repaying a loan that will be attached to the living costs loan: it will become a seamless loan, repayable through the income-contingent loan mechanism. The students will simply have a debt to pay and it will not be streamed depending on whether it was a living costs loan or a graduate endowment loan. It will be one loan.

Other changes that we are making to the system will ensure, as Lucy Hunter says, that no student will have more debt. They will not repay any more per month than they would have done under the previous system. Essentially, we will be using a system that already exists through the income-contingent loan. We think that that is fair and reasonable.

George Lyon: At Westminster, the threshold was reduced from £16,000 to £10,000 in 1998. Is that right?

Gillian Thompson: The previous loan arrangements were mortgage-style loan arrangements, which went out when we introduced the income-contingent loan in 1998. Under the old arrangements, when people came to a particular threshold, they were immediately tied into a set number of repayments over five or seven years, depending on how many loans they had. That repayment system was linked to UK average earnings. The income-contingent loan arrangements that were introduced in 1998 had a threshold of £10,000, set by the UK Government. Although it is true that the repayment threshold was lower, the stream of repayment was, if you like, kinder, because students were being asked to pay less than they were under the mortgage-style loan arrangements.

11:45

George Lyon: You said that no student would end up with more debt as a result of having to pay the endowment payment on top of a student loan.

Will any students have less debt as a result of the scheme?

Gillian Thompson: Yes.

George Lyon: How many?

Lucy Hunter: We can describe the categories of students who will have less debt, but I am not sure that we can give an exact number. Some students will receive a bursary, and that payment will be far more than the graduate endowment amount. For example, the consultation document stated that there would be £2,000 of bursary for each year, so, for a student on a £10,000 income, the bursary would more than offset the additional cost of the endowment. For other students not eligible for bursaries, there are changes in parental contribution. Because parental contribution is no longer required to go towards tuition fees, it can go straight to the student instead. There is therefore less need to incur debt.

The debts of some students will be more or less the same as before but, at the top and bottom ends, there will be people who will benefit from bursary or contribution changes. If Mr Lyon wants a number for that, we could come back to him.

Gillian Thompson: At the top end of the income scale, we will be reducing the minimum loan—the non-means-tested loan—to £750, for people who are living away from home. That is a fairly significant change in the amount of parental contribution that will be expected. A student from a low-income family could have a bursary that would offset the amount of loan that is available. At the other end of the scale, the parental contribution could be increased.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): I am here to consider the drafting of the bill, and I am delighted to have this great opportunity to question the civil servants who will be involved. We know that there are drafting problems and that a new bill will be submitted to the committee.

I should like to concentrate on two points—one minor and one major. I will deal with the minor point first. I know that the bill that I have in my hand is not the one that we will be discussing—and that we have to ensure that we get it right next time—but when the lay person opens the bill, he or she will see a small section on endowments on page 2. An endowment is normally regarded as something that people receive. The bill is all about who pays and how they pay. The bill should be talking about what the graduate endowment scheme is and what its purpose is, followed by who will pay for it and how.

My second point is a major one and I would like clarification. It follows on from Annabel Goldie's earlier question. It is my understanding that a

graduate endowment fund was to be established. There is no mention of that in the bill.

In your reply to Annabel Goldie, you mentioned that the money that the graduates would pay would go straight into the pot of the Scottish ministers. That is my reading of the drafting of the bill, but it is not my understanding of the intent of the Scottish Executive. Is that the case? Is your understanding that the money will go straight into the hat of the Minister for Finance and Local Government, and that there is no fund for the endowment?

Lucy Hunter: That is correct. There is no intention to set up a hypothecated fund for the endowment. However, that does not mean that there are not issues of transparency. As I mentioned, the new student support payments to which the endowment will contribute are part of the general funds of the Executive—more than £300 million a year and rising as a result of what is proposed. That is the total amount; anything that is coming in needs to come into the place out of which that is being paid. Ministers appreciate the fact that there are issues of transparency. The Parliament should have a clear view of the financial flows around the endowment, so that it can see the funds that are coming in by that stream. The issue will be dealt with by transparency and by the publication of figures, especially the budget document. The key place where the endowment will be helpful will be in setting budget amounts for support in future years.

Mr Rumbles: Let me press you on a technical point. It sounds to me as though this money, rather than going into a graduate fund, is going into the equivalent of the UK Exchequer—it is going into the Minister for Finance and Local Government's money. Is it not therefore a tax rather than a contribution to a fund that is to be used as an endowment for our students? That makes it not competent.

Lucy Hunter: No, there is no issue of competence in the treatment of the money.

Mr Rumbles: Why is there no question of competence? To the layman, it seems that, as charges are being made for this support for our students and as the money is not going into a fund for their benefit but into the Minister for Finance and Local Government's hat, surely it is a tax. It is therefore not competent.

Lucy Hunter: In terms of competence, a charge does not require the establishment of a separate fund. The Scottish Executive sets charges for various things within competence. The General Registers Office for Scotland, for example, would set charges for the reproduction of documents and so on. Another charge might be made for the production of a document under freedom of

information legislation.

Mr Rumbles: That would be a charge, not a tax.

Lucy Hunter: That would be a charge. For the purposes of a charge, one needs to be able to connect what is being paid with something that is being received, but there is no need to put the money into a separate fund.

Mr Rumbles: So there is no specific endowment fund.

Lucy Hunter: There is no specific endowment fund. The issue is transparency, as ministers recognise.

The Convener: In my discussion with the minister this morning, I was led to believe that one of the drafting changes to be made would be to establish in the bill the fact that the revenue from the graduate endowment would be earmarked for funding other grants to students. Are you saying that that drafting change is not required?

Lucy Hunter: I would have to speak to the minister for clarification on that.

Mr Rumbles: That is why I wanted to press the point. That is my understanding. If the same question arises in the drafting of the bill, the problem must be ironed out.

The Convener: We need a clear indication from the department and the minister of what the drafting changes are going to be and whether that drafting change will be required. The issue is central to the whole point of the scheme.

Lucy Hunter: We will pursue the matter with the minister.

The Convener: We cannot have confusion. We must have clarification. Does anyone have further questions on this issue?

Mr Davidson: Lucy Hunter talked about transparency in the fund flows. Does that mean that the department will publish management accounts, either monthly or quarterly, that will indicate moneys that are going into the fund from a base point and moneys that are flowing out of the fund? Will there be such a two-way breakdown, in which money will be clearly labelled? If that is not the case, it will be impossible under the new accounting process to run any kind of an audit on the specific programme.

Lucy Hunter: Transparency and the publication of details would be best pursued in the budget document, which would specify an annual amount.

Mr Davidson: That is not what I was asking about. If the Parliament is to scrutinise the work of a department, we must know the figures on a continuing basis. At the year end, the budget

would state the year-end carry-over and what money was allocated for what purpose. However, in order to scrutinise what is going on, we require access to funding flows as they occur during the year.

Lucy Hunter: Because of the way in which the scheme is set up, there would be two different sets of figures. The first would be the funding flows going in—the £2,000 payments from graduates. Elsewhere in the accounts, we would have to take into account the resource cost of the loans, when loans are an issue. Those are two separate aspects of the way in which we will budget and account. We are considering internally how we can bring them together in a way that will be helpful to the Parliament. I am not in a position to say quite how that will be managed. Our thinking is currently along the lines of some sort of annual statements in the budget documents, rather than a breakdown of the funds that are flowing in and out over a shorter period.

Mr Davidson: Perhaps you can mention that to the minister.

Lucy Hunter: We certainly need to consider further how we can achieve transparency. That is a fair comment.

George Lyon: This is an important point. We need clarification of the way in which these funding streams will be accounted for and of the way in which the information will be made available so that MSPs understand where the moneys are flowing to. As we understand it, these moneys are for the funding of future student grants; that must be central to what is in the bill. I impress on the Executive the fact that we need clarification of these issues as quickly as possible, as there seems to be some confusion.

Miss Goldie: In the interest of propriety, I should have stated that I am a member of the court of the University of Strathclyde.

We now know what this money is not—it is not a tax and does not seem to be a levy—but how would you define an endowment?

Lucy Hunter: The graduate endowment is what is established in the bill. When the Cubie committee set up the scheme, it stated that it did not feel—

Miss Goldie: I did not ask what was in the bill. I am asking how you, as civil servants, define an endowment.

Lucy Hunter: It is a contribution—that is the word that we would use. It is a contribution that graduates will be asked to make.

Gillian Thompson: The Cubie committee recommended the establishment of a graduate endowment. When ministers gave their response

to the recommendations of the Cubie committee, they took the view that it was sensible to use the same phraseology that that committee had developed, as that phraseology was widely accepted and understood. The ministers adopted the title of graduate endowment for the scheme; I do not think that they have ever suggested that they view it as anything other than a title for a contribution from students, as we have described it.

Miss Goldie: I contribute to an endowment insurance policy, which I hope involves something more than my just giving money to the insurance company—I understand that I will get something back. As I understood it, the concept of investment—a fund or an ultimate bestowal of benefit upon the contributor—was implicit in the term “endowment”.

I recognise the dilemma in which you find yourselves: the bill has used the terminology that was used by the Cubie committee, although we all acknowledge that that committee produced a broader structure than the one that the Executive proposes to implement. I am concerned that the use of the word “endowment”, in relation to the scheme as it is described in the bill and the illustrative regulations, is perhaps misleading.

The Convener: This issue definitely needs to be flagged up, particularly to the Presiding Officer, as the title of the bill should have some legal meaning. Perhaps Mr Logie would like to comment from the point of view of a solicitor on whether the endowment described in the bill fits the legal definition of an endowment.

Jim Logie (Office of the Solicitor to the Scottish Executive): The term “graduate endowment” as used in the bill is defined specifically in the bill. It is given a specific meaning for the purposes of the bill, so I do not think that there are concerns about the use of the term. Nevertheless, the endowment part of the term may in common usage mean something different from what it means in the bill.

Mr Rumbles: That answers my first question. I found it inexplicable that the endowment scheme should be defined in a short subsection, the main purpose of which seemed to be to indicate how the money would be obtained. From Lucy Hunter's reply, it seems obvious that, to the civil servants who are drafting the bill, an endowment means something different from what most members of the committee would imagine it to mean. As I understand it, an endowment is something that is given to an individual or a foundation. Confusion over the meaning of the word is responsible for the utter confusion that has arisen over the bill. That is why I am pleased to hear that the Executive intends to withdraw and resubmit the bill. We cannot talk about a graduate endowment when the

word “endowment” means different things to different people. We should be absolutely clear about what it means. I am alarmed to hear the explanation that we have been given today by the civil servants. That is not what I expected from the bill.

12:00

The Convener: Are you suggesting that the civil servants revisit the term “graduate endowment”? Effectively, we are dealing with a graduate tax.

Mr Rumbles: I have had discussions with ministers; the bill as it stands does not accord with what I understood would be presented.

Ms MacDonald: I agree.

Nick Johnston: I cannot see where in the bill the graduate endowment is defined. Perhaps I am being thick.

The Convener: One reason why the bill is being sent back for redrafting is that the term is not defined.

Nick Johnston: Mr Logie said that it was defined in the bill. Where in the bill is it defined?

Jim Logie: In section 1(4).

The Convener: Witnesses will have gathered that there is a great deal of concern among committee members about terminology and the use of the word “endowment”, which can be very misleading.

Mr McNeil: I do not think that responsibility for clearing up this confusion lies with the witnesses. Earlier today, the minister gave the convener certain assurances. We need those assurances to be confirmed, as a matter of urgency. That will, I hope, dampen down the excitement and we will be able to move on.

Marilyn Livingstone: I have two specific questions. The first relates to a non-legislative matter—the mature students bursary fund and its discretionary nature. Do you envisage strict guidelines to ensure equity across institutions and between rural areas and the central belt? I am concerned that the provisions for the fund are very broad and unspecific.

Lucy Hunter: Ministers are aware that, if we go down the institutional route with the mature students bursary fund, it is necessary to set a strong framework that can be applied consistently. With further education bursaries, there is a clear framework that seems to operate well and to be well supported and understood. We are looking to have something along those lines. We have established a technical advisory group with a number of interested organisations. How the framework is developed, drafted, applied and

monitored is one of the issues that we regard as a priority for discussion with the group. Although this is an institutionally based fund, ministers are keen that we do as much as possible to ensure that it operates consistently and that there are clear rules.

Marilyn Livingstone: Will there be continuous monitoring?

Lucy Hunter: The Student Awards Agency for Scotland can take an overview of the way in which the fund is being applied by individual institutions. At the moment the agency does that with access funds.

Gillian Thompson: Yes, it does. As members know, access funds must be audited annually. We envisage the same arrangement applying to the mature students bursary fund. We will want to agree strict monitoring arrangements with the Student Awards Agency for Scotland in relation to the use of this money.

Marilyn Livingstone: My second question is about council tax. In written evidence that we have received this morning, the National Union of Students raises concerns about council tax, an issue that was already concerning me. I welcome the move that is being made, which will be helpful to many students. The particular concern of the NUS is that students who are sharing a flat with other part-time students or people on low income would still be expected to contribute to council tax payments, although they would not be legally bound to do so. I was wondering whether we might not re-examine the discount scheme that already exists to see whether the burden on such households could be reduced.

Frank Duffy (Scottish Executive Enterprise and Lifelong Learning Department): Obviously, that is not straightforward. It all depends on the circumstances of the non-student or the part-time student resident in the property. For students, the threshold that determines liability for council tax is 21 hours. How that 21 hours are made up depends on how one interprets the legislation. We interpreted it as referring to study time, rather than attendance at courses, which would make most part-time students exempt from council tax.

In our view, the question of low pay relates to domestic taxation rather than to student exemption from council tax. In other words, there is no difference between people on low pay who share a flat with students and those who share with non-students.

Mr McNeil: The explanatory notes to the bill mention an amendment to the Local Government Finance Act 1992 exempting students who share accommodation. The clear objective is to reduce the burden of council tax on students. However, the notes also state:

"However, where a student shares a residence with a non-student, the student is jointly and severally liable for the council tax bill in respect of the property".

There seems to be a contradiction there. If three students were sharing a flat for a couple of years and one graduated and got a job, would they suddenly all become liable for council tax?

Frank Duffy: That is the current situation.

Mr McNeil: So under the bill that would change.

Frank Duffy: Yes. The students would have no liability whatever for council tax. Only the non-student would have liability.

Mr McNeil: So we would not ask local government to operate a discount scheme that would reduce the overall council tax burden on that household.

Frank Duffy: There are currently discount schemes. In the example that you have just given, the single person discount scheme of 75 per cent would apply. In addition, if the non-student were on low pay, they would be eligible for benefits. Someone who was eligible for income support, for example, would receive 100 per cent council tax benefit. The only remaining liability would be for water and sewerage charges. Even that would be a liability of only 75 per cent.

Mr McNeil: It is all very complicated.

Marilyn Livingstone: Let us take a situation in which four students are sharing a flat. Two are full-time students—who are exempt from council tax—and two are part-time students. There is a question mark over the eligibility of the part-time students. Did you say that you thought that the majority of part-time students would be exempt? Will you go over that again?

Frank Duffy: Such a situation has occurred before. A part-time student was attending college five days a week for four hours a day, and was therefore spending 20 hours there. That was less than 21, so a council interpreted the legislation to mean that that person was liable for council tax. Our interpretation is that study time should be added to the total, and we have written to councils to inform them of that. One hour's study time would take such students over the 21-hour threshold.

Ms MacDonald: Can you clarify—

The Convener: I will bring you in later, Margo.

Ms MacDonald: Sorry.

The Convener: I am trying to keep some order here. Please will members be brief.

Dr Murray: The NUS submission raised that issue. Are you saying that students who share with non-students will not exist for council tax purposes

after the bill has been enacted? Will the students no longer be jointly and severally liable for council tax? Will a single non-student who shares with students be able to qualify for benefits for single people, because the students will not count towards the non-student's liability for council tax?

Frank Duffy: That is right.

Dr Murray: That is not clear in the bill, and the NUS picked that up. Unless that is clear, the problems for students may not be solved.

Frank Duffy: The students will no longer be liable for council tax.

Dr Murray: Will the person who is liable be treated as if the students were not there?

Frank Duffy: The person who is liable will be the only person who is concerned in the liability.

Dr Murray: Will that person be entitled to all the discounts and benefits to which they would otherwise be entitled if they did not share with students?

Frank Duffy: As with every other single person.

Dr Murray: Will the non-student be treated as a single person?

Frank Duffy: Yes.

Ms MacDonald: I have a belt-and-braces question. Will the bill make it clear that a person who says, "I study 21 hours a week"—whether at home or at the place of study—is to be believed?

Frank Duffy: No. We take the view that the bill does not need such a provision, because legislation already exists to say that a person who studies for 21 hours a week or more should be classed as a student for council tax purposes. The intention in the bill is to exempt all students.

Ms MacDonald: Do the councils know that yet?

Frank Duffy: We have not told councils that specifically.

Ms MacDonald: We have got the point.

Frank Duffy: I think that most councils interpret the legislation in the way that I described. I mentioned one council that did not follow that interpretation, but we wrote to it about that.

Marilyn Livingstone: Will monitoring be conducted to ensure that the legislation is applied fairly throughout the country?

Frank Duffy: Councils are responsible for monitoring council tax legislation. We become involved when MSPs raise issues with ministers.

The Convener: We must move on quickly.

Nick Johnston: I will be quick. It is lucky that one of my questions was about council tax, which

we have done to death.

Paragraph 13 of the policy memorandum concerns some classes of course that may carry an exemption and refers to the higher national diploma and the higher national certificate. The last sentence of the paragraph says:

"It will be important to be able to adapt to changes to the nature of degree provision".

Students with HNDs or HNCs now have opportunities to upgrade to a degree such as a BA or a BSc. Has consideration been given to how that situation will be handled? Students who obtain BAs may be liable for the graduate endowment—is it still called that?—even if they have completed only one year.

Lucy Hunter: That point was raised in consultation. In recent years, there has been an expansion in what is sometimes called articulation. People do HNCs or HNDs and then go on to a degree course, going not into the first year but into the second or third year. There has been a growth in Scotland of that kind of study, sometimes based on a formal agreement between two institutions and sometimes based on an individual negotiating with a higher education institution.

The consultation document says that, by and large, we expect students in that position not to be exempt from endowment liability simply because they have previously done an HND. There is not a strong case for exempting a person who does an HNC and then goes into the second year of an honours degree and studies for a further three years. However, you were quite right to mention the situation of those who go from an HND to an ordinary degree in a single year. During the consultation process, a number of people raised the point that that is a special class of cases and that, because of the advantages to progression in access reflected in those cases, it would be wise not to include those people in the scheme.

The policy memorandum and draft regulations contain some initial markers about a minimum period of study, which have been included partly in response to those requests. Ministers are sympathetic to the view that people in that one-year position should not be charged the endowment. We would like to discuss with the technical advisory group some of the issues behind that before we settle on a minimum period in the regulations that would catch individuals, because the pattern of provision is becoming more complex. We recognise that there is a group of people who move out of HNDs and there is a good access argument for leaving those people out of the endowment scheme.

12:15

Elaine Thomson: I would like to ask about

distance learning, which we touched on earlier. I was pleased to see the proposal to change the definition of attending a course to include distance learning courses. What kind of students and courses will that revised definition extend to and what impact will that have? Will it extend to those studying a full-time course by distance learning? That could be an effective way of extending training and education to people in many sectors of society who have not previously been deeply involved in education. Given the impact that technological changes may have on education and training provision, it is important that the bill can cater to what is foreseeable over the next year or two.

Gillian Thompson: The change in the bill and the removal of the criterion of attendance will allow the Executive to make payments to students who are studying by distance learning. It is intended that those who are studying on a part-time basis will have to be studying for 50 per cent or more of a full-time-equivalent course. That is the arrangement that we have held to in extending disabled students allowance to part-time students. You are correct to say that the Executive would be able to provide support to distance learners who are studying full time.

The Convener: Paragraph 19 of the policy memorandum says:

"The Executive took the view that establishing a new collection machinery would create new administrative costs which could be expected to be disproportionate to the amount of income from the endowment and that this would not represent a good use of public funds."

What comparative analysis was undertaken of the costs of collection between the proposed method and other methods? What were those other methods? Was the possibility of collecting the endowment through the Inland Revenue considered as an alternative?

Lucy Hunter: The Inland Revenue does not report to the Scottish Executive. The option of setting up a system in conjunction with the Inland Revenue is therefore not open to the Executive, unless we were to use the existing income-contingent loan scheme. That would be the only way of having access to all the payment recovery mechanisms of the Inland Revenue. That was not an option that we could cost.

The Convener: I understand that the Inland Revenue is a reserved matter, but are you saying that it is not possible for the Scottish Executive to approach the Inland Revenue to ask it to collect that information on a contract basis, for example?

Lucy Hunter: The Inland Revenue would not—

The Convener: Why not?

Lucy Hunter: Ministers took the view that that

was not the way to proceed with the Inland Revenue and that they did not wish to pursue such a line of inquiry.

The Convener: So the Inland Revenue was not contacted and was not asked whether it would be prepared to consider the proposal.

Gillian Thompson: That is correct. Ministers took the view that the current arrangement was a fair and efficient method of collection and that, given the other intended changes, no student would have more debt or pay more money.

The Convener: We are talking not so much about the impact of the grant on students as about the costs of collection. Given that the threshold of £10,000 was predicated on the cost of collection—that is covered in paragraph 19 of the policy memorandum—what was the comparative cost of collection as proposed? What were the alternative methods of collection? Was a comparative analysis undertaken?

Gillian Thompson: In the document responding to the Cubie committee recommendations, ministers took the view that they did not intend to proceed along that route.

The Convener: That does not answer my question. Paragraph 19 of the policy memorandum states:

"The Executive took the view that establishing a new collection machinery would create new administrative costs which could be expected to be disproportionate to the amount of income from the endowment".

What comparative analysis was used in reaching that conclusion?

Lucy Hunter: That view was based on the fact that the scheme—as it would be established under the bill—would draw greatly on existing administrative systems. It would therefore have marginal running costs; no aspect of it would require any new agency or any new major administrative system. Compared to the cost of any other administrative system that involved a new body or new set of procedures, the proposed scheme was felt to be self-evidently much more efficient.

The Convener: What is the cost of collection from the Student Loans Company? How much is it charging for the collection of the endowment?

Gillian Thompson: That is one of the issues that we are currently discussing with that company. As I suggested, we will be able to provide the committee with that information later in the year.

The Convener: I will let George Lyon in shortly, but I want to pursue this matter. Is it your conclusion—as stated in paragraph 19 of the policy memorandum, from which I quoted—that

the cost of collection through the Student Loans Company would be more expensive than any other method, despite the fact that you have not costed any other method that would involve either setting up a new arrangement or using an existing body? You have not costed the cost of collection through the Student Loans Company either, so how can you reach that conclusion?

Gillian Thompson: On collection through the Student Loans Company, the cost that the Executive will be asked to bear will relate to the setting-up of administrative arrangements. There will be no additional cost to the Executive for collecting the loan under our proposals. The current arrangement for handling loans for living costs is seamless. I reiterate that there will be no additional cost to the Executive for doing that and that any additional cost will centre on the information systems mechanisms that we want the Student Loans Company to put in place.

The Convener: Will you be able to furnish the committee with the estimated cost of collection through the Student Loans Company, including a comparative estimated cost of collection by alternative means?

Gillian Thompson: We would be able to provide information about the cost in relation to the mortgage-style loan, which would be closest to the sort of thing that the Cubie committee was investigating. In other words, that information would be a track of somebody's income over several years until it reached the threshold and was collected from him or her directly, rather than via the tax system.

The Convener: Can you provide details of that to the committee?

Gillian Thompson: We could provide the committee with information about the current costs.

George Lyon: I take it that, in arriving at its view, the Executive will have considered the fact that two collection schemes would be set up. The first, which operates currently, is to collect the loan. The second would be a brand new scheme—with all the tracking that that requires—which would need to be built on top of the first to collect the endowment. Would that be what was required to create a separate system, regardless of whether it operated through the Inland Revenue?

Lucy Hunter: Yes—that is exactly the consideration.

George Lyon: It is self-evident that substantial costs would be involved.

The Convener: Is it? There might not be.

George Lyon: I want clarification on the actual

cost, which must be close to zero, apart from the initial start-up cost.

Lucy Hunter: Any new scheme that brings in a new set of people will clearly require a certain amount of start-up investment. However, we expect the running costs of the scheme—once it is established—to be de minimis, in the sense that no additional running costs should be generated. No collection scheme is being established that is not already extant or in use for essentially the same group of people.

George Lyon: Paragraph 18 of the policy memorandum says that ministers are pressing the UK Government to review the £10,000 income threshold. Is that the case? What meetings have taken place on that?

Gillian Thompson: There have been meetings only at official level. The threshold has not been reviewed since its introduction in 1998. Scottish ministers take the view that it is reasonable to re-examine the threshold. At present, the stage that has been reached is one of discussions with colleagues in the other education departments and in the Treasury.

Lucy Hunter: The threshold that will apply to the loans scheme—which will relate to the first intake of students who are liable for graduate endowment—will be whatever amount applies in 2004. Those students will be coming into the loan scheme under whatever terms exist in that year. The expectation is that that threshold will not still be at the 1998-99 level—it would be surprising if there was no increase over six years.

George Lyon: Are you saying that the first collection of the endowment will not take place until after 2004?

Lucy Hunter: Absolutely. A graduate will not come into the scheme and will not become liable until the year after they graduate. They do not engage with the loan scheme until that point.

Gillian Thompson: I would like to clarify that that is one of the issues that we must address in relation to timing. The regulations reflect the fact that we need to do more work on the timing of the back end of the process. We must also do more work on the point of the process at which students will be asked to pay the graduate endowment.

Frank Duffy: Convener, may I make a further point?

The Convener: Can you make it quickly?

Frank Duffy: My point is in response to Dr Murray. I do not want to be accused of misleading the committee. I see from my notes that there is a circumstance under which a student who was the resident owner of a property and who had a non-student tenant would still be liable for council tax.

The Convener: I should point out that the Parliamentary Bureau has agreed to refer the pertinent part of the bill to the Local Government Committee. This committee will continue to be the lead committee on the bill, but the Local Government Committee will be able to deal with such matters and report back to us.

I thank the witnesses very much. Your evidence has been very helpful. I let the discussion run on because it was important and clarified a number of issues for the committee.

Some members must leave at this point, but they have given their apologies for doing so. I thank the witnesses from the National Union of Students Scotland for their patience. I am sure that they will agree that it was important for the civil servants to answer all the committee's questions. I believe that you have been furnished with a copy of the letter from Nicol Stephen, which indicates that the bill has been put on hold to make drafting changes, probably for at least a month.

Although the principles in the bill will not change, the bill will incorporate principles that are contained in the policy memorandum. For the time being, we will work on the assumption that the principles in the bill and in the policy memorandum will apply and that the difference is presentational—more of the principles that are contained in the policy memorandum will also appear in the bill.

I introduce Mandy Telford, Liam Jarnecki and Kenryck Lloyd Jones, from the National Union of Students Scotland. Mandy, will you take the lead in your presentation?

12:30

Mandy Telford (National Union of Students Scotland): We thank the committee for inviting us today. I am the president of NUS Scotland. Liam Jarnecki is a member of staff—the director—and Kenryck Lloyd Jones heads our Scottish affairs unit.

NUS Scotland has a primary interest in the Education (Graduate Endowment and Student Support) (Scotland) Bill. We are committed to widening access to and increasing participation in further and higher education in Scotland.

We believe in a system that promotes equal opportunities and combats social exclusion. We are especially concerned about the plight of mature students, student parents, disabled students and students from low income backgrounds, among others.

We believe that education should be available to all who can benefit from it: what matters must be the ability to learn rather than the ability to pay.

NUS Scotland supported the establishment of the independent committee of inquiry into student finance. Since then, we have joined a consensus of students, education bodies, trade unions and the public in Scotland in calling for the full implementation of the Cubie committee's proposals.

We believe that those proposals offer a realistic and affordable package that will begin to address student hardship in Scotland. We oppose the graduate endowment scheme in favour of the scheme that was proposed by the Cubie committee and we seek further improvements to the student support package in Scotland.

The package of measures that has been outlined by the Scottish Executive can be broadly welcomed, in so far as it seeks to end tuition fee charges and to return grants or bursaries—whatever one wants to call them—to students. However, NUS Scotland opposes certain aspects of the package and believes that other measures in the package are inadequate. Our full position is made clear in "Student finance: funding futures", of which members should have a copy. That document was our written response to the Scottish Executive's consultation.

In our written submission to the Enterprise and Lifelong Learning Committee, we take specific issue with the Education (Graduate Endowment and Student Support) (Scotland) Bill and refer to the other measures that will form the new package of student support in Scotland. Although we understand that the committee has to consider specific legislation, the bill exists within a wider context. We are happy to answer questions on both the legislation and the wider measures to which the legislation relates.

The Convener: Thank you for your helpful introduction. I open up the discussion for questions from members.

Has NUS Scotland undertaken case studies on the impact on its members of the Cubie recommendations compared with the impact of the bill's proposals?

Kenryck Lloyd Jones (National Union of Students Scotland): Case studies are dealt with professionally—that is where I step in. While no one is subject yet to either the Cubie recommendations or the bill's proposals, we have considered comparative circumstances. It is clear that the implementation of the Cubie committee's recommendations would leave the vast majority of students better off than either the existing or the proposed systems. There is not much question about that. If the committee wishes, we could produce case studies on the different scenarios.

The Convener: From the evidence that you submitted to Cubie and that you have produced

since—in particular, the evidence that you submitted to the committee this morning—it is clear that the cut-off point of £10,000, rather than the Cubie recommendation of £25,000, is of major concern to you.

You heard the civil service evidence this morning to the effect that the cost of not making collections through the Student Loans Company would be disproportionate—which is one reason for setting the threshold at £10,000—because making collections through that company would make collection easier. It is obvious that you disagree with that approach, but have you considered the alternative? You heard this morning that the cost of collection by any other means would be disproportionately high. What are your views on that?

Mandy Telford: The Student Loans Company operates many different loan schemes. It will operate 93 different loan schemes if the bill is enacted next year. It would not be too much more of an administrative burden for the Student Loans Company to collect the graduate endowment above a threshold of £10,000.

Kenryck Lloyd Jones: On the Student Loans Company, a new system has been in operation since 1998, but millions of students—approximately 2.9 million to 3 million—are under a mortgage-style repayment system. Most of those students will not have finished repayment of their loans. It is unclear when the last student from that previous system is likely to have paid off their loan, but it could be well into the first half of this century.

The money that has been borrowed under that system amounts to £3.8 billion and about 10 per cent of that will be from Scottish graduates. There is a lot of money in that system. The cost of running the Student Loans Company is about £23 million a year—the figure that we have for 1998—which makes it a very expensive scheme. We do not see an especially great administrative burden in phasing in a new system as the old system is being phased out. The new system would have a separate threshold, as the old mortgage-style repayment system does. The threshold that is being used under the old mortgage-style system is £19,104 a year, not £10,000 a year. It is pinned at 85 per cent of average national earnings. We are not convinced that the threshold has to be £10,000, because the system has to depend on the current student loans system.

George Lyon: I take it that you opposed vigorously the changes in 1998 when they went through Westminster and that you had a lot of political support for doing so.

Liam Jarnecki (National Union of Students Scotland): The difference between the two

systems that were proposed in 1998 was that the mortgage-style repayment, which was originally proposed, meant that there would be a very large step in the payment. As soon as borrowers reached the threshold, they were in a mortgage-style repayment. The income contingent repayment is about 9 per cent of income over a certain threshold. The pain factor of the income-contingent threshold was less than that in the mortgage-style system.

George Lyon: So did you support its introduction?

Liam Jarnecki: You asked whether we vigorously opposed it. We did not vigorously oppose it for the reason I gave—we could see the philosophical point behind it.

Kenryck Lloyd Jones: There is a distinction between the graduate endowment system and students borrowing money to cover their living costs, which they understand is to provide for their food, rent, clothing and so on. They incur those costs while they study. The graduate endowment system places them in debt to the Government. That is different from an overdraft or a loan that they might take out to cover living costs. The graduate endowment is therefore not the same as student loans for living costs and the system makes no distinction between them.

George Lyon: NUS Scotland is contributing to the review of the threshold that is being carried out. We heard in the previous evidence that discussions are taking place on what to do about the system. What do you want from the review process? What have you proposed?

Mandy Telford: On the graduate endowment?

George Lyon: On the loans scheme, as that is where the threshold comes from.

Mandy Telford: The biggest issue for us is that the repayment threshold is at £10,000 and that the Government is saying that it must be set at £10,000 because of the Student Loans Company. Kenryck Lloyd-Jones has explained why we refute that argument. We have stated that £10,000 is far too low a threshold.

George Lyon: What proposal have you put to the Government in relation to changes to that threshold in the loan scheme, which would also impact on the endowment scheme?

Kenryck Lloyd Jones: We are trying to distinguish between a loans scheme for maintenance and a graduate endowment scheme as proposed by Cubie. That has been tacked on to the student loans scheme in the current proposals. If students are going to be placed in further debt, it would be inappropriate to use the current loans scheme. The fact that students have benefited financially should be reflected. One cannot have

benefited financially if one's income is £10,000. However, Cubie suggested that graduates who earn £25,000 have benefited financially and that a further contribution would therefore be justified. Simply adding that to the existing loan scheme does not provide a sense of financial benefit. That is the crucial difference between the Cubie proposals and tacking an element on to the student loans scheme, rather than looking for fundamental problems with the student loans scheme.

Marilyn Livingstone: In your submission, you expressed concern about the discretion that centres had in applying mature student funding. You heard the answers. Are you happy that there would be controls and that certain criteria would be set down for centres? We all know how access funding has operated—I presume that that was your worry.

Liam Jarnecki: Scepticism is probably the most polite way of describing my reaction. We do not believe that the guidelines that cover access funds are strictly or effectively enforced. There are numerous bits of evidence—some anecdotal and some not—of abuses in what money is spent on by access fund committees. To some extent, many institutions are sympathetic to our point of view. We feel that there is too great a burden on the institutions.

Committees that are made up of academics and other staff in the institutions must decide what maintenance any student at that institution who is not entitled to the young persons bursaries will get. How on earth can they monitor the appeals that they will get and how can they be consistent within an institution and from one month to the next? We are unconvinced that the committees will be able to do that, given that our experience of access funds shows that that is unlikely to happen.

Marilyn Livingstone: Are you saying that it would be better for those funds to be monitored centrally?

Mandy Telford: Yes. We believe that the scheme should be administered centrally, so that students know before they go to university how much they are entitled to, rather than having to apply for the mature students fund within their institutions and to have it awarded on a discretionary basis. If the fund was administered centrally, it would be done equitably.

Kenryck Lloyd Jones: We would like criteria to be consistently applied, which would result in specific amounts being awarded.

Miss Goldie: I found your written submission helpful and full and there are not many points on which I seek clarification. Given that the access funds will not be available to Scottish students who will study at institutions in other parts of the

UK, do you believe that that could inhibit the ability of able young Scots from seeking the best provider of learning for their chosen future?

Mandy Telford: We believe that students from Scotland should have the right to study wherever they want in the United Kingdom. Some specialist courses are available only in England, but we do not believe that it is fair that somebody who stays in Scotland should get a better deal in higher education than the person who sat next to them at school who has decided to study in England.

Miss Goldie: Has the NUS in Scotland tried to quantify how many students might be affected?

Kenryck Lloyd Jones: It is difficult to do that, because we would have to consider potential students. The first problem with potential students is finding them. The second is understanding their various motives for taking courses at a specific institutions. To find out how much difference the financial package might make, we must try to look behind the statistics at the motives, which can be difficult. We are concerned about that. Although there is a simple question of fairness, there is also the serious threat that if a better package is available by studying in Scotland, that will clearly be an incentive to stay in Scotland. Incentives seem to work in other areas of life—it costs 5p more for leaded petrol, for example.

Miss Goldie: I was interested in what you said about the council tax aspect of the proposed changes. You make the point that, although students are exempt from council tax liability, the informal reorganisation of council tax payment in student flats might not be eradicated. Have you any suggestions on that?

12:45

Mandy Telford: Our issue with council tax concerns the real-life situation. Legally, students may not have to pay council tax, but two or more students might live in a house in which another person works. In real life, that person will pay 75 per cent of the council tax. We favour the discount voucher scheme to level that out.

Kenryck Lloyd Jones: Let me clarify the matter. The situation should be the same for those who live with students as for every member of the general public who has a liability to pay. Very few people would move into a large property that has six or seven bedrooms, in a high council tax band of perhaps £2,000, and expect to pay the tax for the entire property. If somebody lived with people who were also working, they would expect them to pay their share. If they lived with someone who was claiming income support, that would reduce the bill dramatically, because that person could claim council tax benefit. However, students are going to be denied council tax benefit and will

simply be taken out of the system. Unlike any other section of society, students would have no real way of contributing towards the bill—the full £2,000 would be the liability of the resident who was not a student.

We believe that it is untenable that anyone—not only part-time students and recent graduates, but anybody in the real world who is on a modest income—should have to consider taking on the full council tax bill for a six-bedroom house in which five other people live, who are not legally expected to pay. That would not happen with any other class of society. That can distort the figures for the entire private rented sector, as already happens.

The Convener: It might be useful if you gave the committee some details on the discount voucher scheme. I am not aware of the details.

Kenryck Lloyd Jones: As the committee is probably aware, the housing benefit system and the council tax benefit system are operated by the Department of Social Security. As a result, they continue to be reserved matters and most students are excluded entirely from those systems, although there are specific categories of student that are not.

The discount system is operated within the legislation and specifies that a single person will receive a 25 per cent discount on their council tax bill. It will probably be possible to build in other discounts to take account of the circumstances of individuals who are liable and who live with full-time students, but who are unable to pay.

The Convener: That is an administrative way of overcoming the problem of the informal arrangements.

Kenryck Lloyd Jones: Yes.

Nick Johnston: Like Annabel, I found the NUS Scotland submission extremely useful in helping me to understand student finance. I was especially interested in what it said about the inconsistencies in the application of what I prefer to call the graduate tax, rather than the graduate endowment. The submission states:

"This reinforces the argument that the Graduate Endowment is to replace tuition fees."

The rest of the UK is not going down that road. What would you like to be put in place? European students are liable, international students are not liable and the rest of the UK is exempted. What would you like the situation to be?

Liam Jarnecki: Both NUS Scotland and the NUS in the United Kingdom would like the recommendations of the Cubie committee to be implemented throughout the United Kingdom. That is our policy, which has been backed pretty much unanimously at our conferences.

Nick Johnston: You will not get that. What would be the next best thing?

Liam Jarnecki: The next best thing would be for up-front tuition fees to be abolished in the United Kingdom. NUS Scotland is concerned about the issue of borders—which was raised earlier—not only in terms of student traffic from Scotland outwards, but in terms of opportunities for students to come and study here.

Maintenance is another key factor. Without the ability to sustain oneself, it is not possible to pursue a university course. Currently, student hardship means that many people have to work to sustain themselves through their courses. That affects the quality of their study and, possibly, their end results. That must be addressed and Cubie came up with some imaginative proposals. We accept that those proposals are not currently on the table, but we consider that it was a Government-sponsored inquiry and that the great and the good and the vast majority of the public back its recommendations. We see no reason why we should not continue to argue in favour of those proposals, because we think that they are right.

As an organisation, we have given up quite a bit of ground in backing the conclusions of the Cubie inquiry. The student movement has had to take certain philosophical steps, such as the acceptance of making a contribution. The key issue for us is not only consistent application across the UK, but addressing the hardship crisis to ensure that people do not drop out of their courses and that they are able to study effectively.

Nick Johnston: Do you have any evidence that European students are being dissuaded from coming to Scottish universities?

Kenryck Lloyd Jones: European students have not been discriminated against; it is students from the rest of the UK who must pay the fourth-year tuition fee. The Treaty of Rome demands that, in respect of tuition fees, European students must be treated the same as home students. In Scotland, that has been interpreted as meaning the same as Scottish students.

The Convener: That should suit a good European like Nick Johnston.

George Lyon: We hear that students south of the border think that the Scottish package is much more attractive than that which has been offered to them. Do you agree? What impact will that have on the number of students coming to Scotland?

Mandy Telford: We agree that we have a more attractive package in Scotland—up-front tuition fees have been abolished and bursaries for mature students and for child care in further education have been introduced. In student circles, NUS Scotland has been congratulated on

the Scottish package and we have been encouraged to push for the implementation of the full Cubie proposals.

We believe that the Cubie proposals should be implemented throughout the UK. That would represent a step towards alleviating student hardship; it is a realistic and affordable package that should be applied throughout the UK. We want equality for all students in the United Kingdom.

George Lyon: What is the likely impact of the differential between the packages that are available north and south of the border?

Liam Jarnecki: There is a strong perception among people in England, Wales and Northern Ireland that the package in Scotland is better. Scrutiny of the package reveals that it is not quite as good as it appears initially, because of the way in which expenditure has been shifted. However, the abolition of up-front tuition fees and the message that that conveys is clearly an improvement. That has been reflected in the number of applications.

George Lyon asked about the future. Currently, Northern Ireland is scrutinising student funding. I am aware that members of the National Assembly for Wales are demanding further powers and that they intend to launch an educational review. I do not have my crystal ball out, but I guess that slowly England will be left by itself. Changes that relate to maintenance are also being made in England. It is clear that the current situation is not sustainable.

George Lyon: I was interested in the impact on student numbers. Do you think that more Scottish students will study here rather than travel furth of Scotland?

Kenryck Lloyd Jones: The front page of this week's edition of *The Times Higher Education Supplement* indicates that applications in Scotland are up, whereas the number of applications is stable or is failing to reach targets in the rest of the UK. Although there are motives behind all statistics, we think that scrapping up-front tuition fees has encouraged a much better perception of the system in Scotland. However, people will benefit from the package not by studying in Scotland, but only if they are Scotland domiciled and study in Scotland. It is very difficult to see what the impact will be on cross-border flows.

George Lyon: Do you, however, think that the evidence so far is that students are voting with their feet and that the number of people studying in Scotland is increasing.

Kenryck Lloyd Jones: Yes.

Ms MacDonald: I want to be absolutely sure about what George Lyon is asking. Is he trying to

find out whether a higher percentage of schools leavers in Scotland are deciding to stay in Scotland rather than to study south of the border?

George Lyon: Yes.

Ms MacDonald: Do the witnesses have evidence that would show that?

Kenryck Lloyd Jones: The statistics are yet to be seen.

George Lyon: That is the effect that we are looking for.

Ms MacDonald: Rationalisation of course provision is also taking place. Even if, in future, some students would rather stay in Scotland than go elsewhere to study, their options will be narrower. That means that they may well have to go south.

The Convener: I thank the witnesses. I suggest that they submit in writing to the Local Government Committee specific information on the council tax aspects of the bill—this committee might not want to become involved in the detail of that. If the witnesses send that information to the clerk, he will pass it on formally to the Local Government Committee.

I apologise again to our witnesses for keeping them waiting so long. I hope that they think that it was worth while.

Education and Training (Scotland) Amendment Regulations 2000 (SSI 2000/342)

The Convener: Item 4 on the agenda is consideration of the negative statutory instrument that has been circulated to the committee. The instrument would implement an earlier recommendation of the committee in respect of varying travel expenses for people in rural areas and, in some circumstances, for trainees to have child care costs met. In the light of the fact that the instrument would implement a recommendation of the committee, does the committee agree to approve it formally by agreeing not to make any recommendations to the Parliament?

Members *indicated agreement.*

Scottish Utilities Forum

The Convener: Item 5 is on the Scottish utilities forum. Does the committee agree to nominate Elaine Thomson to the forum?

Members *indicated agreement.*

Nick Johnston: I do not want to hasten his death, but it seems that we are likely to lose Fergus Ewing, as well as Allan Wilson.

The Convener: I confirm that Fergus is going.

Nick Johnston: Should we nominate someone else from the committee?

The Convener: I suggest that we discuss that next week or some time later.

Draft Reports

The Convener: Item 6 relates to consideration of draft reports in public—an issue that Fergus Ewing raised at our previous meeting. I know that on Monday the Education, Culture and Sport Committee discussed the matter, because it arose from that committee's consideration of the SQA report. It appears that, with the exception of Fergus Ewing, committee members believe that such reports should be considered in private. I propose that we continue with existing practice. Is that agreed?

Members *indicated agreement.*

The Convener: I look forward to seeing members next Wednesday morning at 10 o'clock. I note that we have finished two minutes before 1 o'clock.

Meeting closed at 12:58.

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