

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 15 November 2000
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

28th 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)

Mr John Home Robertson (East Lothian) (Lab)

*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)

*attended

WITNESSES

David Caldwell (Committee of Scottish Higher Education Principals)

Sarah Chisnall (Association of Scottish Colleges)

Tom Kelly (Association of Scottish Colleges)

Professor John Sizer (Scottish Higher Education Funding Council and Scottish Further Education Funding Council)

Professor Sir Stewart Sutherland (Committee of Scottish Higher Education Principals)

David Wann (Scottish Higher Education Funding Council and Scottish Further Education Funding Council)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Linda Orton

LOCATION

The Chamber

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 15 November 2000

(Morning)

[THE CONVENER opened the meeting at 10:03]

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

The Convener (Alex Neil): Welcome to the 28th meeting of the Enterprise and Lifelong Learning Committee this year, and the second this week. I especially welcome David McLaren, who will be clerking this meeting and who will be responsible for preparing our stage 1 report on the bill.

We have one apology this morning.

David McLaren (Clerk): Yes, we have an apology from John Home Robertson.

The Convener: We have with us representatives of the Committee of Scottish Higher Education Principals—Sir Stewart Sutherland, David Caldwell and Robin McAlpine. Welcome to the committee. Sir Stewart will lead off with some introductory remarks, after which we will ask him some questions.

Professor Sir Stewart Sutherland (Committee of Scottish Higher Education Principals): Thank you for the invitation to come to the committee. We appreciate the opportunity that the committee is giving to COSHEP to give evidence on this very important bill.

The COSHEP response to the Cubie report was to say that we supported its full implementation. We felt that it had an integrity and rigour about it, and we supported it as a package. However, the Executive, quite properly, has its own views on the matter, and has selected certain areas of Cubie's recommendations. We support what the Executive is proposing, but we would have liked it to select more areas.

There are one or two points that we would like to highlight to the committee and one or two questions that we would like to ask. We accept the principle that the beneficiary should help to pay. All the evidence suggests that students who benefit from a university education can expect to earn more money in subsequent employment. It therefore seems reasonable to us that, in principle,

they should be asked to make a contribution towards the cost of their education. That basic principle underlies Cubie's thinking and the Executive's response.

However, student hardship is a real issue. We confront it in our institutions and we all have hardship funds and support systems to help students in difficulty. The evidence suggests that what shows up—or presents, as the medics would say—as a problem with academic work often has a financial difficulty underneath. Financial pressures on students sometimes lead to difficulties in completing course work or, occasionally, to their having to drop out of the course. We hope that this bill will help to tackle student hardship, although we have some reservations about how far it will go.

Members will not be surprised to hear us say that we regard the repayment threshold of £10,000 as too low. An income of £10,000 a year is not a sign that a student has benefited from a university degree. If, for whatever reason, that income were depressed—perhaps because of other commitments—to £10,001, pressure to repay at that stage would, we feel, be unfortunate and out of keeping with the general principle that someone who has benefited and is earning more should contribute. I hope that members will not press us for a specific number, but we would like the threshold to indicate clearly that students are earning a higher salary because of the benefits of their education. One could consider national average wages, for example.

A question that will be important for us and for much of the population is this: what will happen to the money that comes through the endowment scheme? How will it be tracked? Will it disappear into a larger pot so that we cannot see what is happening to it? We suggest that members should consider hypothecation, which seems a clear way of using money that has been contributed by those who benefit from the system to maintain support for those who need it.

Hypothecation inevitably has as its first priority student support, in the form of direct bursaries, for example. However, we would not rule out altogether the possibility of addressing other student needs or the needs of institutions, and that may happen from time to time in the future as the fund builds up. To give just one example, providing adequate student accommodation at an affordable rent is a key part of making higher education affordable to the whole community.

We would like formally to indicate our support for some of the good moves that are being made. We support the extension of opportunities for support to part-time students and distance learning students. Distance learning and part-time learning will change and evolve hugely, and we are

pleased that students undertaking those forms of education can be encouraged through that kind of support. We also support the proposal that council tax exemptions should be extended to students. We think that that is sensible in view of the difficulties that we see students having with regard to accommodation.

Under the proposals as we understand them, the maximum public support via a bursary would be £4,225. We calculate that the average cost of a year's study is about £700 in excess of that, so there is a gap. Even if the neediest student got the maximum support, there would still be a gap. If we are concerned about social inclusion, those are the students who most need full support.

David Caldwell (Committee of Scottish Higher Education Principals): I have just one thing to add at this stage, and it concerns exemptions from the graduate endowment. Understandably, that is rather non-specific in the bill at present, but I would like to draw attention to a specific area of difficulty—for students who proceed from a higher national diploma programme to a degree programme.

As you know, the HND is already exempt. Somebody who does one additional year and qualifies for a degree would become liable for the graduate endowment at the full £2,000 level, unless an exemption is granted in that case. To become liable for a full £2,000 graduate endowment after one year of study might serve as a discouragement to able students who could achieve degrees by proceeding from HND programmes. We hope that that issue could be clarified and that that category of students could be considered for exemption.

The Convener: I shall lead off the questioning by pursuing a couple of issues, the first of which is hypothecation of graduate endowment revenues. You pointed out that the aim, as set out in the policy memorandum, is to ensure that the moneys go back into student support. You said, quite rightly, that we should minimise the opportunity for those moneys being used to substitute for mainstream funding or for other purposes. However, you suggested that those revenues should not be hypothecated only for student support per se but for wider investment, and you mentioned student accommodation as an example. Is there not a danger that, by spreading the load wider and allowing hypothecated funds to be used for a multitude of purposes, you may defeat your own objective of ensuring that the funds really are hypothecated for student support?

Sir Stewart Sutherland: We want to stress that our priority, which we share with the Executive, is that the money should be for student support, but we are making a plea for the notion of student support to be flexible. I gave the example of

accommodation being made available at an affordable level. Sometimes that is the sort of support that students need. In this city, property prices, and therefore rent prices, are going up, which could well ricochet round other parts of Scotland, as has happened in the past. That is an issue that flexibility would at least allow to be raised in due course. However, we accept that the first priority must be direct student support.

10:15

The Convener: Surely there is also the issue of just how flexible you can be. For example, when you talk about student accommodation, are you talking about topping up funding for students who are in particularly expensive accommodation by subsidising their rent or mortgage? Or are you talking about going as far as helping out the institutions themselves with capital charges on student accommodation?

Sir Stewart Sutherland: It seems to me that either option is possible. However, one would have to watch very carefully to ensure that the extra money was not simply a substitute for funding that should come from other sources. I also have in mind some of the student support systems that are increasingly being used to provide additional facilities and support, not least because of financial difficulty and because many more students are taking up the opportunity to access higher education. That can be an expensive matter. Those funds are used to provide counselling, additional teaching or other support. That area of funding seems to focus legitimately on student support where it is most needed. Nevertheless, I stress that the first priority must be direct student support.

The Convener: You must see my point that, if hypothecation is defined too generally rather than too specifically, future generations may use the funding for non-priority areas.

Sir Stewart Sutherland: I accept that point. It would require a masterpiece of drafting, but I have no doubt that there are people in the Scottish Executive's employment who are capable of doing that.

The Convener: Before I invite other members to ask questions, I have a question about the threshold. Your written evidence, which is much appreciated, seems to be calling for a significant increase in the threshold for the loan repayment as well as for the graduate endowment. Can you expand on that a little?

Sir Stewart Sutherland: We are quite clear that a low threshold of £10,000 is a significant disincentive to a student looking down the line who might want to go into one of the less well-paid professions. There are a number of such

professions in the public sector. If the threshold starts at £10,000, those students would start to repay those moneys very early on, perhaps having accumulated a substantial debt on the way. That is a simple and straightforward point.

Equally, I expect that there will be more imaginative ways of funding postgraduate studentships. If one of those ways is the private sector helping people into postgraduate activity on the basis of doing some work with a company at the same time, you can see the dangers of disincentives being built in there when one is seeking the kind of partnership with the private sector that I think we ought to be seeking.

The Convener: I realise that you do not want me to press you on numbers, although Cubie recommended a £25,000 threshold for the graduate endowment. Can you give us an indication of how the loan aspect might be affected? Although that is not part of the bill, the two are clearly related. How significant does the increase in the threshold for the loan repayment need to be?

Sir Stewart Sutherland: Our view is that you should start by looking at the national average wage and move up from there. That figure is around £17,000 to £18,000, which is the basis from which you should consider the matter.

The Convener: For both the loan and the graduate endowment?

Sir Stewart Sutherland: Yes.

David Caldwell: We accept that there are good administrative arguments for the threshold for loan repayment and graduate endowment payment starting at the same level. There are also practical arguments for saying that they ought to start at the same level, because it is at the point when a graduate begins to earn significantly above average earnings that they can afford to start making repayments. We would have no difficulty with accepting that the loan repayment and the graduate endowment payment should cut in at the same threshold, but it should be substantially higher than £10,000.

Miss Annabel Goldie (West of Scotland) (Con): I declare an interest, as a member of the court of the University of Strathclyde. We took evidence yesterday from representatives of the Cubie committee, including Mr Andrew Cubie. They were concerned that the initial premise of their committee inquiry and the conclusions that they had reached as a result of taking evidence were somewhat adrift from the proposals that are contained in the bill, albeit that the bill is to be redrafted. I am anxious to ascertain whether you think that there is a danger that one of the initial premises, which was to promote access to further and higher education, is likely to be frustrated by

the current provisions in the bill.

Sir Stewart Sutherland: I started by saying that our initial response to Cubie was that it was a well thought out total package and, as such, we supported it. I have no doubt that had the Cubie package been implemented, I would have been able to answer your question by saying that it would significantly encourage access. As you begin to pare away the package in the ways that I have mentioned—on threshold and by leaving a gap between the maximum provision and what we reckon to be the real costs of a year's study—you will inevitably deter some students whom we would want to aspire to higher education.

Miss Goldie: At the other end of the process a graduate will emerge to be confronted with the prospect of repayment at an earnings level of £10,000. Is that likely to affect the availability of skills to the Scottish economy? Is it likely that graduates may choose to go abroad? Is it likely that we shall be denied bright and able postgraduate personnel for research purposes?

Sir Stewart Sutherland: It would be difficult to propose that there will be a one-to-one relationship. "Oh gosh, the repayment level is £10,000. I'm going to the USA." On the other hand, as you create disincentives to continue working in Scotland, the repayment level will inevitably be a factor. There are other factors, but that one will weigh in the mind of anyone considering their future.

Miss Goldie: I infer from your remarks that there is a danger that higher education may become the province of affluent youngsters.

Sir Stewart Sutherland: No, I am not going as far as that. Some of the proposals before us are better than the status quo. In so far as they are better, they will encourage other people to come into higher education. However, the Cubie package was a good, sensible and rigorous one that would certainly have encouraged people into higher education. In so far as it has been diminished, the encouragement diminishes as well.

David Caldwell: We are saying what we have consistently said: that the Scottish Executive proposals will provide some additional help for students from poorer families. That is very welcome, but the Cubie package would have provided greater help so we are sorry that it was not introduced.

On Miss Goldie's point about postgraduate study, we must keep a careful eye on the issue. I admit that the evidence is not yet clear. There are grounds for concern that some students who have the ability to enter postgraduate study may be discouraged from doing so as they feel pressured to get into employment as soon as possible

because they have accumulated a heavy level of debt. We must watch that carefully and collect evidence on it. It would be an unfortunate consequence if the vigour of our postgraduate programmes suffered.

Miss Goldie: I listened with interest to your comments on hypothecation. What is your perception of an endowment as a funding source for higher education? Do you see a bath marked hypothecation, with money going out one end, receipts coming in from graduates at the other and the level of the bath varying somewhat but never increasing dramatically, or do you have in mind a more creative fund, which would grow financially over time and therefore expand the financial opportunities available to the higher and further education sector?

Sir Stewart Sutherland: The possibility of an endowment fund is initially about hypothecation; it is our way of ensuring that the money that is repaid by students who benefit goes to support students like them who have that need. The possibility of such a fund increasing its level of income, perhaps as earning capacity rises—as it might—should not be ruled out. However, detailed work would have to be done on it. COSHEP might not have a single view on it. I would not want us to come up with a blueprint to say that that is how you should run the endowment scheme. The first criterion is to check that the money is used for what we all believe to be the purpose for which it is repaid. The second is to enhance opportunity for the most needy.

The Convener: There are two concepts of an endowment fund. One is what you might call a contra fund, which is a straight in and straight out account, basically nothing more than a bank account. There is the more sophisticated concept of a fund that is perhaps managed by an organisation with charitable status, which could attract other endowments from industry, the European Union or whatever.

What Annabel Goldie is getting at is whether you favour a contra-style fund—if I could use the word contra; perhaps it is not the right word to use—or an accumulative identifiable dynamic fund.

Sir Stewart Sutherland: The honest answer has to be that COSHEP has not debated that. It does not have a view on it. I am not sure that it would necessarily have a single view on it. We are stressing the criteria that such funds must meet.

I think the second question, as to which is the most efficient mechanism, is back to you.

George Lyon (Argyll and Bute) (LD): My first point is on the threshold. You have clearly stated that you believe that the thresholds for loans and for the endowment fund should be set at the same level. You believe that the figures for both should

be raised towards nearer the average income level in Scotland or the UK. We heard from members of the Cubie committee yesterday that they believed that the two should be separate issues. Cubie argued that the threshold should be £25,000 for the endowment fund, but did not argue for a change on the loan threshold. Did Cubie get it wrong by separating the two out and arguing that you should leave the loan threshold at £10,000?

Sir Stewart Sutherland: Far be it for me to say that Andrew Cubie got it wrong. He produced a magnificent package. I do not know about the detailed thinking on the committee that led to that distinction, but it seems to me—I am now stating a personal opinion—that if one is talking about the impact of student debt on aspiration, the higher the threshold level the better. If that means running the two together, so be it.

George Lyon: My second point is on hypothecation, which you rightly said is important. When this bill is resubmitted—I hope that that will be quite soon—I take it that you want the graduate endowment to be legally ring-fenced in the bill. Is that what COSHEP would like to happen?

Sir Stewart Sutherland: Yes, because that is a means to an end. The end is identifying the money and spending it in the right way.

George Lyon: My third point relates to the introduction of the scheme. This year, students will not have access to grants, as the legislation that would provide for those is still being considered by Parliament. However, tuition fees have been abolished. Next year, many of the students to whom this scheme will be offered will be midway through their courses. Has COSHEP given any thought to how students in that situation will be able to apply to access grants? What contribution to the graduate endowment should be expected from such students, given that they will not participate in the scheme for the full three years? That is an important issue when it comes to implementation of the scheme.

10:30

Sir Stewart Sutherland: The general principle is parity of treatment for all students in the same position. That should apply whether they participate in the scheme for part of their degree course or for all of it. If one of the main intentions of the scheme is to raise aspirations, it is not surprising that the focus has been on those who will come into the system next year and in the years after that. In an institution where students feel themselves to have the same status, it is difficult to apply different charging systems. Currently that is the case, which is a pity. However, change often creates such anomalies.

David Caldwell: This matter is not within our

control. We understand that, under the Scottish Executive's proposals, the new arrangements—the bursaries and the graduate endowment—will apply to students who enter the system from autumn 2001. Students who are already in the system will not be liable for the graduate endowment and they will not be eligible for bursary support. The system changes with the new entrants for 2001.

George Lyon: As I recall, the Minister for Enterprise and Lifelong Learning indicated in his statement to the chamber that the issue of whether students who are currently midway through their courses should have access to the new scheme would be debated during the consultation process. Does COSHEP think that such students should have access to the new grants scheme? If so, ought we to consider what contribution they should make to the endowment fund? It is important that the committee takes a view on that issue.

Sir Stewart Sutherland: COSHEP has been waiting to see what the minister would propose in the bill, so that we could comment on it. Any comment that I make will, therefore, be a personal one and I hope that the committee will regard it as such. We want to maximise the benefit to the neediest students—and there are needy students in the system now. If that has consequences, so be it. However, at the moment, there is real need in the system.

George Lyon: You have flagged up some of your concerns about the current proposals. However, in general, do you believe that the package that is being offered—the extra £50 million that will be made available for student support—will help to deliver the Executive's long-term aims of widening access and alleviating student hardship?

Sir Stewart Sutherland: It will help.

Ms Margo MacDonald (Lothians) (SNP): I apologise for being a little late.

I want to pick up from where George Lyon has left off. You say that the proposals will help to alleviate student hardship. However, another objective is to broaden access to higher and further education among what were described yesterday as socio-economic groups C and D. Only 9 per cent of the people who enter higher and further education come from those groups. I appreciate that this may not have been debated, but do you believe that the Executive's proposals will make inroads into the substantial percentage of people who never participate—or think about participating—in higher and further education?

Sir Stewart Sutherland: They will help. However, many other things need to be done. We must produce easier routes into higher and further

education and we must raise aspirations in schools. Unless aspirations are raised in schools, there will not be the initial interest that the additional cash that is being provided could stimulate further. However, that is a much broader issue.

Ms MacDonald: Yesterday, Andrew Cubie agreed that the difference between the threshold that his committee recommended of £25,000 and the Executive's proposed threshold of £10,000 was so great as to undermine the principle of his cohesive package. Do you agree?

Sir Stewart Sutherland: I have no doubt that the reduction of the threshold to below the national average wage undermines the principle of the report. At the outset, we stated that contributions should be made by those who have benefited significantly from higher or further education. If someone is earning £10,000, they have not benefited significantly.

Ms MacDonald: Yesterday, Rowena Arshad suggested that, if the threshold is kept at £10,000, that might act as a disincentive to undergraduates to enter professions that are essential to our society and its fabric but are low paid. Do you agree?

Sir Stewart Sutherland: Absolutely. We are talking about key public sector jobs in teaching and social work. I am inclined to add university teaching, as your point certainly applies to people who are going up the research ladder. If students have a significant debt when they leave university—as, in all probability, they will have—it will be hard to persuade them to do something that implies taking on additional debt. To pick up Annabel Goldie's earlier point, it is difficult to persuade enough good students to continue in key areas, such as electronics, which are essential to the Scottish economy. As we lower the threshold, we are building in a disincentive to further study.

Ms MacDonald: Why do you think that there has apparently been an increase in the number of people applying to study at Scottish institutions this year?

Sir Stewart Sutherland: Many Scottish universities and further education colleges have been working hard in the community to raise aspirations.

Ms MacDonald: So the increase has nothing to do with the extra money that is being made available.

Sir Stewart Sutherland: The money is also significant, as it offers students the prospect of real financial support. However, the students who enter higher and further education this year will not be the clear beneficiaries of the new system. Considerable work is being done in the university

system to develop access and opportunity. I invite the committee to talk to COSHEP about that. We can tell you some good stories.

David Caldwell: It is important that we examine the possible reasons for the encouraging increase in the number of Scots entering higher education this year. One reason is that the Scottish Higher Education Funding Council has relaxed the constraints on student numbers. The committee should be aware of the fact that a ceiling is set on student numbers in Scotland. That means that not everybody who is qualified to enter higher education succeeds in doing so. The fact that this year there has been more flexibility on numbers has almost certainly contributed to the higher recruitment. The ceiling has been raised and, as a result, more qualified students have been able to secure places.

A second factor—there are more, but I will not go beyond these two—is the activity of the university and higher education sector in promoting greater social inclusion of the groups that are currently under-represented in higher education. It is important to recognise that Scotland already outperforms the rest of the United Kingdom in this area. The positive efforts that have been made have almost certainly been a contributory factor to the increase in student numbers this year. Much remains to be done, but those important initiatives have contributed to this year's increase.

Ms MacDonald: The first part of David Caldwell's response has answered my next question.

George Lyon: You have given two reasons for the increase in student numbers. What has been the impact of the abolition of tuition fees and the fact that the package that is available to students in Scotland is much better than the one that is available to students elsewhere in the UK? The National Union of Students believes that that may have a major impact, in the longer term, on students' decisions on whether to study in or outwith Scotland.

Sir Stewart Sutherland: The removal of the requirement to pay £1,000 or £1,025 is a contributory factor to the decisions of many young people who do not have easy access to such a cheque when they start their courses. That must be recognised.

Dr Elaine Murray (Dumfries) (Lab): I declare an interest, as I was an employee of the Open University between 1992 and 1999. However, it is under no obligation to re-employ me if the electorate decide that I should not continue in my current job.

I will take a different tack in my two questions, the first of which concerns HND conversions. You

said that you were unhappy with the view that HND students who convert to degree courses should become liable for the endowment when they graduate. However, I presume that you agree that the acquisition of a degree would give them the financial benefits that are associated with having such a qualification. Are you suggesting that those students should be liable for only a proportion of the endowment—possibly a quarter, or £500—or that they should be exempted from payment altogether?

David Caldwell: If somebody incurs the full graduate endowment liability as a result of deciding to undertake only a year's further study, that may deter some able students from proceeding. There are various ways in which that can be handled. Those students could become liable for a proportion of the graduate endowment. They might be exempted if they benefited from only one additional year above and beyond what would otherwise have been exempted. I do not want to get involved now in the detail of how the exemption should be managed, but the issue should be addressed. The Scottish Executive is considering the matter and I hope that there will be more detail in the secondary legislation.

Dr Murray: My second question concerns distance-learning and part-time students. Like you, I welcome the eligibility of those students for the loans and the support for disabled students. However, the bill does not appear to make those students eligible for the bursaries for mature students and lone parents. Do you agree with my reading of the bill and do you feel that that is an omission?

Sir Stewart Sutherland: We want to stick to the principle of comparable treatment for everyone, whether they are part-time, distance-learning, full-time or mature students. That is a good basic principle, which underlay much of Cubie's work and at which the legislation is aiming. If the bill does not succeed, it should be amended.

Dr Murray: I presume that you also agree that lone parents are especially likely to undertake part-time rather than full-time study, as a result of their caring responsibilities, and that there might therefore be a special case for ensuring that they have parity with full-time students.

Sir Stewart Sutherland: The evidence shows that lone parents take up both categories of study—part time and full time—but a lone parent obviously has additional responsibilities, which are more difficult to cope with if the person is not well off. In such circumstances, it is likely that the person would minimise their commitment to study.

Elaine Thomson (Aberdeen North) (Lab): Under the proposals, some 50 per cent of students are going to be exempt from the graduate

endowment. Certain categories of students, such as mature students and lone parents, will also be exempt. Are those exemption categories adequate, if we are to encourage non-traditional students to enter further and higher education?

10:45

Sir Stewart Sutherland: I hope that the legislation will be sufficiently flexible to ensure that, if other groups emerge as social change takes place in Europe—such as refugees—they can also be considered for exemption through having a special status. I would plead for flexibility in the legislation rather than the identification of groups that may or may not currently be included.

Ms MacDonald: Convener—

The Convener: Do you require a point of clarification on the previous answer, Margo?

Ms MacDonald: My question builds on that answer. Sir Stewart Sutherland contrasted COSHEP's attitude to the twin threshold with that of Cubie, who wanted to separate the concept of endowment from the idea of a student loan. From the student's point of view, the issue seems to be one of debt.

We are dancing around the whole business. David Caldwell talked about students being liable for the endowment, but nobody is ever liable for an endowment—that is a contradiction in terms. We are talking about a graduate tax. As such, is it a sufficiently heavy burden to put people off entering further and higher education?

Sir Stewart Sutherland: That is the way in which many students will view the issue. They will want to know the liability, the amount of debt that they will have incurred at the end of their course and the way in which that will have to be repaid. The principles that are implicit in what is being proposed are right, but we must never forget that a debt is posited as the starting point.

Nick Johnston (Mid Scotland and Fife) (Con): I do not want to waste the committee's time by going over old ground, but I would like to return to the level of the threshold. Your submission says that

"if repayments are being made by those on significantly higher incomes it would seem fair that their level of contribution might rise accordingly."

Are you saying that we should move towards a sliding scale of repayment and endowment, or am I reading your submission incorrectly? The committee has not yet discussed whether the level of graduate endowment should rise with increasing income.

Sir Stewart Sutherland: We are simply pointing out that the endowment is a debt that students will

have, that there must be some means of repaying it and that the intention is to ensure that anyone who is able to and wants to benefit from higher education can do so without major financial disincentives. If in due course that intention would be helped by bigger payments from someone who has been exceptionally well rewarded partly as a result of their study, we would not rule that out. Needless to say, however, we are not pushing that idea.

David Caldwell: We are rather more supportive of Andrew Cubie's approach to the issue than of the Scottish Executive's proposals. We would like the threshold to be raised, but we recognise that a cost is attached to that and know that the Scottish Executive must think seriously about the expenditure implications of raising the threshold. Nevertheless, those implications could partly be compensated for if Andrew Cubie's suggestion was adopted that the amount to be repaid to the graduate endowment fund—and I take Margo MacDonald's point about liability for an endowment—should be set at around £3,000 instead of £2,000, to be paid only by those who are earning sufficiently above average earnings to be able to afford it, to whom it would not be a disincentive to study. We are saying that more could be collected from those who could afford to pay and that, under the current proposals, by collecting less, the Executive has less flexibility on the threshold.

Nick Johnston: The final part of your submission refers to student hardship, which is something I know about, having put three children through university—it is the parents who suffer the hardship, not just the students.

Ms MacDonald: You are bearing up well.

Nick Johnston: Thank you.

You have identified a funding gap of £700. How should we close that gap?

Sir Stewart Sutherland: The first question is: for whom should the gap be closed? It should be closed for those who are neediest and for whom such a gap would be very large. There are some students for whom £700 is not a large sum. We must remind you that there are other ways in which to find the necessary resources. We place a high priority on helping the neediest. We would not want to leave the committee thinking that our requests were all very well but could not be afforded; we are suggesting other ways in which they could be afforded.

David Caldwell: Our concern is for the students from the poorest families—those families who are not in a position to contribute to the cost of the higher education of their children. The total amount of bursary for which those young people can qualify added to the total amount of loan is still

not as much as the cost of study. That is where we want the extra money to go, perhaps through an increased maximum bursary or an increased eligibility for loan. It must be recognised that some families are not in a position to contribute and that the gap must be closed in another way.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): We agree that the funding gap is a serious problem and that it should be addressed. The principle underlying COSHEP's approach is set out clearly in the introduction to the submission: those who have received a university or further education degree have an advantage in society in comparison with those who do not and therefore should pay for that benefit. Does not that proposition lead to the conclusion that people such as me, the Prime Minister and most of my colleagues in the committee, who have had that benefit, should pay? Should there not be a graduate tax for people who have already graduated and who received a free education without tuition fees and student loans, unlike the students of today and tomorrow, who are burdened with both fees and loans?

The Convener: I would not say that there was universal agreement on that point.

Sir Stewart Sutherland: I am one of the 7 per cent of my age cohort who went to university in the 1950s. Currently, about 50 per cent of the 18-year-old cohort goes to university. I was very lucky and privileged—I received a grant. If politicians were to put it to me in their manifestos that I should bear a rise in income tax to pay for that, I would be sympathetic and would consider voting for them in the next election. I cannot speak for what all voters would do in the secrecy of the ballot booth.

Fergus Ewing: Your proposals suggest that the threshold should be raised. I am not clear whether you believe that it should be raised to £25,000, which was your first position, or to £17,000, which is your fallback position, or whether you are simply being coy today. Whichever threshold you recommend, you must accept that, if you are proposing that more resources are put in, you should say where they would come from—otherwise, you are simply passing the buck. Do you agree that the principle of direct taxation on those who earn more money is one that COSHEP should support and that there should be a rate of income tax higher than the 40 per cent rate for those people, such as MSPs and university principals, who earn handsome amounts of money?

Sir Stewart Sutherland: I have made my personal views plain. I am waiting to hear proposals from political parties at the next election.

Fergus Ewing: We support the progress of

pragmatism rather than the regress of pragmatism, which is what would happen under the bill.

Sir Stewart Sutherland: I do not want to get into a detailed economic argument, but it is clear that a key question is what stimulates the economy. I am in favour of increasing our gross domestic product, because that is how public services benefit. We can take that as read and perhaps you and I can have a cup of coffee and talk that through after the meeting.

It may sound as though our evidence focuses solely on the interests of the students. Students benefit from higher education and so we accept that they should pay something towards its cost. However, I emphasise that the other beneficiary is the Scottish economy. Scotland must live by its wits—the quality of the education that we give our young people. Apart from oil, our natural resources are thin on the ground and, in that sense, we are not a rich country. We are not a low-wage economy and therefore we live by our wits and intelligence, which rely on our education. We will all benefit from that base, including many of the businesses that will employ the young people.

Members may recall that Dearing and Garrick both suggested that there should be a partnership that included the student and their parents, the institutions, the Government and business. That suggestion lurks at the back of the debate. The private sector can perhaps be encouraged to help students; that may be one way in which we can address the funding gap. It is important that we put that back on the agenda.

Fergus Ewing: Thank you. I agreed with the wits tax proposal.

Ms MacDonald: Some folk will not pay that much.

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): Over the past few years, the debate has tended to focus on students from traditional backgrounds and on finance. We have heard from people such as you who benefited from the grant system in the past. However, those groups that are currently under-represented had the same level of participation when higher education was free. Everyone who enters the debate seems to be saying that, if we just had more money to give those students, that would redress the balance. The Executive is reaching out to those under-represented groups and has identified them as the target area from which universities should increase their numbers. What is the greatest challenge? It seems to me that, even if the Cubie recommendations were implemented in full, there is no way that we could guarantee that the percentage of students from traditional

backgrounds would increase constantly. How can we guarantee that that would not mean using taxpayers' money to subsidise those who already benefit handsomely from the system? No one has ever offered that guarantee.

Sir Stewart Sutherland: Consider what has happened in Scottish higher education. In 1945, about 2.5 per cent of the cohort entered higher education; in 1959, the figure was about 7 per cent. That rose to 14 per cent in 1970 and to 25 per cent after that. Currently, 50 per cent of the cohort enter higher education. Many more young people from across the system are going into higher education. That is a good thing and we are ahead of almost every other country in the world. That is a great achievement.

You say—quite properly—that a significant proportion of the population, concentrated in particular social classes, does not benefit as much as the rest of the community in the expansion of higher education. I agree. We address that partly through the removal of financial disincentives. However, as I said earlier, several factors are involved. It would not be appropriate to go into all that at the tail-end of the discussion, but I invite the committee to talk to COSHEP in detail about how we tackle that problem. We would benefit from your ideas and suggestions and we could tell you what we are doing.

Mr McNeil: Which is the greater challenge: lack of finance or lack of aspiration? Why has the debate focused only on finance?

Sir Stewart Sutherland: It should not focus only on finance, but that is what you have asked us to talk about today. If you want, I could talk at some length about aspiration in schools, because that is absolutely vital.

Mr McNeil: The bill is not just about finance; it is about the whole thrust of higher education. That is what we are discussing today.

11:00

Sir Stewart Sutherland: Aspiration is fundamental in schools and it lies at the base of the question of what we should do in our schools to reward our teachers and to give them incentives to be as excellent as they can. It is critical that we ensure that we raise the level of aspiration in areas of the community where—for whatever reason—there is less aspiration. The question is partly about culture.

David Caldwell: I know that MSPs are inundated with material, but I want to mention a COSHEP publication that we sent to all MSPs a short time ago, called "Including Me". It contains a substantial series of case studies about initiatives on social inclusion that are taking place in every

higher education institution in Scotland. It gives a powerful indication of the efforts that that sector is making in social inclusion. As Sir Stewart Sutherland said, the bill is about financial provision. That is an important aspect, because financial disincentive is one of the reasons why we are not doing better on social inclusion. That is why we welcome the Executive's proposals, although we would like them to have gone further. The proposals will make it easier for students from under-represented groups to get into higher education. However, I stress that there are other aspects to the issue and that the sector is doing a lot more work.

Next year, we will publish a detailed study on social inclusion and we will propose a series of actions in which the higher education sector will be actively involved and on which we will need assistance from many other people. Above all, we will need MSPs to exert their influence to ensure that financial and other barriers are addressed.

The Convener: The committee's next major study will probably be on lifelong learning. When we devise a remit for that study, we should include the financial issues that Duncan McNeil has highlighted.

Mr McNeil: I might have made the point badly, but Fergus Ewing kicked the matter off. Finance is the issue—experts have told us that £50 million is not enough and we are aware that there are wider aspects. If we put £50 million into student finance, less money will be available to be put into our classrooms. Other ideas must be developed to deal with the practicalities.

The Convener: We should pursue some of those issues in our inquiry.

Marilyn Livingstone (Kirkcaldy) (Lab): I should state that I worked in further and higher education for 16 years as head of a business school. The question that Duncan McNeil asked is one that I asked the Cubie committee yesterday and I received an answer that was similar to the one that we just heard. As the convener said, our next big inquiry will deal with lifelong learning. We should return to this issue in that inquiry. The problem is that no matter how much money we pour in, and no matter how much we widen access, we widen access for the same socio-economic groups. We do not get to the disadvantaged groups. Yesterday, I made the point that we must think of the issue in the round.

Sir Stewart Sutherland talked about the need for clarification of the issue of exemptions in relation to people who proceed to university from higher national certificate and higher national diploma courses. I have a captive audience today, so I want to say that I believe that that is a fundamental issue. About 43 per cent of people

who come back in to education do so through further and higher education colleges, which are pivotal to the lifelong learning strategy for widening access. If we do not get that right, there will be no stream from which to feed the universities, apart from the traditional student intake.

Do you think that universities are being flexible enough in accepting students with non-traditional qualifications, such as modern apprenticeships, HNCs and so on? I ask that in relation to the traditional universities and the new universities. If we are to encourage people to go to university, even for their third year, there must be a clear route of progression. I know that much work is being done, but is it enough?

Sir Stewart Sutherland: We are all learning more and more about the subject. Every university in Scotland has, to my knowledge, access routes of the kind that Marilyn Livingstone asks about. They also have joint-access programmes with local further and higher education colleges. I believe that that link will be one of the key ways in which we will deal with some of the questions that have been raised about increasing aspiration and ease of entry to higher education streams.

David Caldwell: No more telling evidence than the significant increase in the proportion of entrants to higher education has come from the further education stream in the past 10 or 20 years. That rise is evidence of flexibility in interpreting entrance qualifications. Higher education institutions are seriously determined to apply only a test of whether a student is likely to complete the course successfully. Subject to that overall criterion, the institutions are prepared to consider an increasingly wide range of traditional and non-traditional qualifications.

Marilyn Livingstone: Perhaps the witnesses will be unable to answer this question, but is that rise spread evenly throughout the university sector or is it mainly in the new university sector?

David Caldwell: I do not have those figures to hand.

Ms MacDonald: I want to talk about the route map and I apologise to Duncan McNeil for returning to the subject of money. Would somebody who entered further education, thinking that they might well go on to higher education, face a disincentive to do so when they found out that they would be liable for an endowment the minute they started earning £10,000?

Sir Stewart Sutherland: Anyone who came from a background of not having enough money in the house would find the accretion of additional debt a disincentive—that is incontestable. The proposals that are before us will deal with some, but not all, of that.

Elaine Thomson: The proposals are designed to ensure that no student will end up with any more debt than they have currently, and to ensure that many students end up with less debt. Do you agree that the bill would assist many students?

Sir Stewart Sutherland: The proposals will be better than the status quo. I have said that before.

The Convener: I want to wind up this part of the meeting. Sir Stewart, do you want to make any concluding remarks?

Sir Stewart Sutherland: No. I think that the remarks that we want to make are all in our submission. Those remarks have to do with underlying principles and they stress the importance of increasing aspirations and opening doors for our young people throughout Scotland. I stress that the proposals will benefit them and, in principle, Scotland's economy.

The Convener: I thank the witnesses for their written and oral evidence—that evidence has been helpful.

I remind everybody in the chamber and in the galleries to switch off their mobile phones—we are experiencing some difficulties with the sound.

Ms MacDonald: Are we in the movies today?

The Convener: Yes, we are. We are being webcast as well.

Ms MacDonald: No one ever tells you when you might be on television.

The Convener: I welcome the representatives of the Association of Scottish Colleges, Tom Kelly and Sarah Chisnall.

I should declare an interest in that, between two and two and a half years ago, I was co-author with Roger Mullin of a report on the future of the further education sector in Scotland. Although I do not think that that report has a direct bearing on our discussion this morning, I declare that interest in order to keep the record straight—the report was commissioned in part by the Association of Scottish Colleges. I hope that that declaration will keep matters right.

Tom, will you make some introductory remarks?

Tom Kelly (Association of Scottish Colleges): I should also declare an interest—I have a son who expects to enter higher education in 2001 or 2002, although the route by which he will do so is yet to be determined.

I thank the committee for this opportunity to give evidence. We have produced a written submission and, while I will not go into the detail of that submission, I would like to place what we say in it in the wider context.

The Cubie committee's debate and the Scottish

Executive's proposals in "Scotland: The Learning Nation—Helping Students" transform the student support package and we welcome that transformation. The package is much better. It makes progress, particularly for students who enter higher education through the higher national certification route, which is important to our sector. We have seen stirrings of interest, if I may put it that way, and some improvements in part-time study, as well as a much more comprehensive attempt to address the needs of mature and disadvantaged students. For all those reasons, we welcome the general progress that is being made.

Improvements in student support packages for those who are in further education courses are not relevant to the bill, but they are relevant to its context. If we are interested in lifelong learning as a progression from the most basic to the most advanced levels, we must recognise that further education is an important component of that.

I will pick up two points on the context in which we operate. In both our sector and the HE sector, we are constrained by the cap on the overall number of full-time students. Therefore, wider access to full-time higher education tends to mean a change in the balance of those who have the opportunity to study full time, rather than an increase in numbers. People who study part time get some support, but most of the pots of support that are available are cash constrained. That distinction is important: generally speaking, if one gets a place in full-time education, one gets the support, but when the cash runs out from the support that is available to part-time students, there is no more, even if one has the same needs as someone who came along earlier.

We bear in mind the fact that the level of resource behind the different elements of the package is important. Affordability is a question not only of what the student or their family can afford, but of how much is available from the public purse.

That is all I wish to say by way of introduction.

The Convener: I will kick off by referring to paragraphs 4.3 and 4.4 of the written submission. Are you suggesting a trade-off between increasing the threshold and reducing the number of exemptions? If so, that is an unusual suggestion, given the evidence that we have taken from others. Could you expand on that a little?

Tom Kelly: I will make an introductory point: we are well aware that the most important exemption from the Scottish graduate endowment for our sector is the exemption for higher national courses. That is right in principle and should be a general exemption.

When we talk about repayment of the Scottish graduate endowment, we are concerned with

those who would have gone on from college to undertake degree courses. We are trying to say that the exemptions from repayment have been drawn very widely. Let us take the example of two individuals—a mature student and a younger student—who study librarianship, an occupation that has a relatively low starting salary. The mature student will not have to contribute to the graduate endowment, but the younger student might well have to. Such situations are potentially anomalous.

We would prefer the implementation of the Cubie recommendation on a high threshold for the graduate endowment, because we do not want a disincentive to going on to study for a degree for those who go through higher national qualifications. Giving people that opportunity is important and, as was discussed, there are also important educational issues to do with whether someone who is studying for higher national qualifications should get the opportunity to enter university in the second or third year of that course to go on to a degree. That can be a complicated process.

The point that we are trying to make is that, if the exemptions are drawn more narrowly, we could perhaps afford a higher threshold for repayments. However, we have not seen the arithmetic, so I do not know what our proposal, or the Executive's proposal, will cost. I admit that I am being speculative.

11:15

Dr Murray: Hello—it is nice to see you again. I have three questions—two of which are based on your submission and one that is at a slight tangent. Paragraph 5.3 of your submission supports the proposal that the graduate endowment scheme should be linked to the student loans system. We have heard evidence—from Cubie and others—that the two should be separate. Can you tell us why you support the proposal to link them?

Sarah Chisnall (Association of Scottish Colleges): In that paragraph, we are basically saying that we are pleased that people will be able—if they want—to take out a loan to pay the graduate endowment. Earlier in the submission, we say that we do not feel that the case has been made for linking the endowment scheme to the loans scheme, especially if the threshold is to be £10,000. We feel that student loan repayments are for support that students have received for their living costs and our understanding is that graduate endowment repayments are for the benefits that students are supposed to have accrued. As I said, we support the idea that people who wish to take out a loan should be able to do so. However, whether that loan should be the same as a student

loan for living costs is not yet clear.

Dr Murray: My second question is on paragraph 7.9, on a point to which Tom Kelly has already referred. You feel that the needs of part-time students are not fully addressed, although there have been welcome advances for distance learners and part-time students. In what ways are the needs of part-time students not addressed in current legislation? What else should be included in the bill?

Tom Kelly: We welcome the fact that the proposed legislation would extend to distance learners the scope of certain pots of money, which are available to part-time students. We also welcome the broadening of scope for disabled students. Those two points are right in principle, but they need to be set in the context of the cash limit on the amount of funds that are available. If the scope is extended, but the cash is not, new entrants to the scheme will be competing for funds. We worry about that, because a number of the elements of support for part-time students will have to stretch over several years—it takes longer to complete a higher education qualification if it is being studied part-time. If a college or university is dependent on a cash pot year by year and cannot make advance commitments over the full period of study, there will be problems. That is not a legislative matter, but a resourcing matter.

We must recognise that we will be unable to meet all the potential needs of all part-time students. The numbers are very large, as is the range of needs. The aspects of hardship that institutions are most concerned about are those that relate directly to study—the cost of materials and equipment—and those that relate to child care, especially for lone parents. The Executive has taken a step forward with the specific grant that is now available for child care, but—again—that is a cash-limited amount. Colleges will have to choose how best to allocate the cash that they have.

A needs-based system of support for part-time students would be a considerable advance. However, I do not deny that there has been considerable progress in the past year or so.

Dr Murray: My next point is at a slight tangent, but it relates to points that have been made about increasing co-operation between HE and FE institutions in allowing students to move from one sector to the other. Is there a case for some form of joint funding for FE and HE institutions, because they are coming closer together? At the moment, people must apply to one pot or the other. That can act as a barrier to HE and FE institutions working collaboratively to offer courses.

Tom Kelly: We would be happy for colleges that offer higher education courses to receive the same

unit of funding as universities. It is right that college students who are pursuing higher national courses should have access to the student award and loan package through the Student Awards Agency for Scotland and the Student Loans Company.

We also favour some degree of local discretion and administration in dealing with students' special needs. That might sound paradoxical, but I will explain why I think that it is not.

For the most disadvantaged students, the problems of getting through a course can begin with getting started in the first place. There are recurrent costs, year on year and term on term, that need to be met. Child care and travel are good examples. However, there are also emergency and hardship situations. The allocation of funds for those purposes—if the funds are to be locally administered by institutions—needs to be assessed at a national level and distributed more in relation to need. We do not have a needs-based distribution of those funds that is sufficient to address existing need.

I will give the committee an example, which I picked up from the statistics on student awards. About 5,700 people on student awards are aged 25 and over and only about 1,700 of those are in degree courses. When the mature student bursary fund is distributed, we would—to put it bluntly—expect the lion's share to go to the colleges because there appears to be a larger number of students in that category.

Ms MacDonald: I agree with what was said about needs-based funding, which seems to be the simplest way of tackling the problem. The inquiry has tended so far to consider things from the point of view of the individual student. However, will the witnesses give the committee an estimate of how far short the Executive's proposals fall in relation to the system of funding that they would like to see? I ask that not necessarily from the point of view of individual students, but from that of the colleges themselves, in terms of their ability to offer places and support to individual students. This is the first time that it has been mentioned in evidence that there is a big gap in the proposals.

Tom Kelly: Recruitment has been somewhat variable this year but, over the previous five years, demand for places was high. People are prepared to make sacrifices to study—that is evident. It is difficult to get precise figures on how many people fail to complete their courses for simply financial reasons. One must recognise that, in many instances, there is a combination of academic and financial reasons. It is therefore difficult to be sure.

If the decision is taken that certain needs are to be met by cash-limited funds that are allocated to

institutions, we must consider whether those funds are sufficient for the needs that they must meet. We cannot continue to add extensions of scope without diluting the amount of support that we can give to individuals—that seems fairly obvious.

Ms MacDonald asked to what extent the proposals fall short of the system of funding that we would like to see. At the moment, we do not have a sufficient statistical base to answer that, but we would like to establish one.

Sarah Chisnall: We have had discussions with the Executive. An advisory group is examining some of the proposals in detail. We requested a survey of the different and additional costs that mature students incur—as far as I am aware, that survey will be carried out. Although the mature students bursary fund is welcome, as Tom Kelly suggested, no calculations have been associated with it, but we hope that that will happen in the next few weeks. We will do a sample survey, which will ask about the typical cost of child care, travel and other study-related costs. We hope that we will finally have something that is, if not scientific, at least based on real examples of need and cost.

Ms MacDonald: Has the Executive indicated to you that it sees merit in giving the lion's share of the resource to the colleges, because the whole system will be needs-based?

Sarah Chisnall: It would not be fair to say that the Executive sees that, but we have had discussions with the Student Awards Agency for Scotland over a number of years on the distribution of access funds. We have fought a long battle and we have suggested that—given the sociological makeup of many students in our colleges—it is inappropriate that such a lot of money is going to higher education institutions. After about three years, we are nearing a situation in which that argument might be accepted, but we are still short on data for mature and part-time students.

Elaine Thomson: I would like you to expand on paragraph 6.3, which states:

“The Bill also needs to make more explicit the intention to exempt all students who study 21 hours or more.”

What difficulties arise from the difference between attendance and study time? How will the bill impact on that and on widening access, as you suggest it will? Also, one of the proposals in the bill is to fund distance learning. How will that contribute to widening access?

Sarah Chisnall: On liability and exemption from council tax, we were not entirely clear about what the Executive suggested in its evidence of 1 November. We understand from that evidence that students who study for about 21 hours would be

exempt. We would like the bill to be much clearer about whether that means that a student may attend for a portion of that time, while the rest is for personal study. If that is the case, the exemption would be widened to part-time students and students who are doing a combination of distance learning, attendance and evening work. We must be clear about whether the exemption will be applied to students who are doing 16 hours or more, students who qualify for jobseeker's allowance, or whether it will apply to all students, as seemed to be suggested in the Executive's evidence of 1 November.

Tom Kelly might wish to say something about distance learning.

Tom Kelly: One of the issues about distance learning is that very large numbers are involved. That brings us back to the point that, if scope is to be widened, we must examine what is affordable. It will be much more difficult to identify precisely the cost elements that relate to distance learners' studies, because they work and study from home.

On a more general point, we are concerned to ensure that anybody who is on state benefits is not excluded from learning. There are some barriers to inclusion in learning if one is on benefits. We accept that there must be a rule such as the 21-hour rule, but in some areas that rule was being enforced too strictly and only on the basis of attendance. Given modern modes of learning, 21 hours of study might not involve 21 hours of attendance, but it might involve many other forms of work and study. We are looking for a degree of flexibility, but we accept that in current circumstances, there must be some sort of threshold.

Marilyn Livingstone: I asked the Executive a question on the points that are raised in paragraph 6.3 of the submission. Looking back at my notes, I see that the Executive said that study time could be included. The Local Government Committee is looking at the council tax issue—I believe that it did so yesterday—because that falls within that committee's remit. It will be interesting to see the evidence that the Local Government Committee has taken and what it has come up with. It will be worthwhile exploring the matter further.

Paragraph 7.8 of your submission says:

“Students should not be worse off”.

The submission goes on to talk about housing benefit. Could you expand on that?

Tom Kelly: We have been grappling with this difficult question for some time. At issue is what happens when someone goes on to student support. We were thinking principally of those full-time students who get the student award loan package. As I said earlier, we accept that the 2001

package for mature students is expected to be appreciably better than that which is on offer this year. However, some individuals still have a problem committing themselves to full-time study, because if they take up their student award and loan, they will lose housing and other benefits. This is a much bigger issue, which Cubie raised but did not address fully. We have put down a marker because we want to pursue that issue.

Sarah Chisnall: The Executive said that it would undertake a review of the benefit system and how it interrelates with student support, particularly for part-time students. As far as we are aware, that review has not yet started, but we hope to take part in it.

11:30

Marilyn Livingstone: My final question concerns widening access and progression. You heard the question that I put to the COSHEP representatives earlier. Do you think that there is seamless progression between FE and higher education institutions? How many universities would take young people with level 3 qualifications such as modern apprenticeships? Is the position the same in all universities?

Tom Kelly: Over the past decade, the most important step that has been taken to improving access to higher education for people from disadvantaged backgrounds—and by that I also mean educationally disadvantaged backgrounds—has been the opening up of access to the higher national qualification. There has been huge growth in that area. That success is unique to Scotland in the United Kingdom.

On completing their higher national qualifications, many people—about 50 per cent, according to the statistics—go on to further study. A proportion of those will be people who start with higher national certificate and go on to diploma, which is within the same area. There are barriers to progress from higher national certificates or diplomas to degrees. Some of the universities have set up specific progression routes, called articulation agreements, with colleges. We welcome those. However, they are not mapped, because they are private agreements between institutions and are not in the broader public domain.

There is no university in Scotland that does not take some students from FE colleges. At issue is whether they take enough of them and whether they give them a fair opportunity in competition with others. Regrettably, we hear instances of universities simply setting their face against students with vocational qualifications. We think that that is wrong in principle. Some way needs to be found of judging the merits of students with

vocational qualifications and their claims to places at university.

Another issue is the rules governing continuity of study. If someone wants to go on from a higher national course at a college to a degree course at a university, there must be a link between what they did at college and the course that they want to do at university. That is a way of preventing people from having two bites of the cherry, but it creates complications. People who have done higher national courses in a vocational area at college may have found a different academic or other bent that they would like to pursue at university. At the moment they would probably have to fund that themselves or go into part-time study.

Fergus Ewing: Members from all parties are concerned about barriers to access to tertiary education. You have mentioned the need to ensure that people from low-income families are not deterred. Mature students, single parents and the disabled are to be exempt from the graduate endowment. However, as the MSP for Inverness East, Nairn and Lochaber, a very rural constituency, I know that the costs of travel are a considerable barrier to study.

Last week, I received a letter from a lady who spends £60 a week on petrol, travelling from Fort William to Inverness and back each college day, a round trip of 183 miles. I did not see anything in your paper about that aspect of disadvantage, which is a concrete barrier to access. The annual petrol bill of the lady to whom I referred is higher than the graduate endowment bill would be. How does the Association of Scottish Colleges believe that we can ensure that people such as Rosie Brown, whose circumstances I have outlined, are not disadvantaged or scunnered, and that they are not forced to give up their courses because of the considerable financial difficulties that they face?

Tom Kelly: Travel costs are one of the elements related to study that one would not expect the student support package to cover fully in every circumstance. Some sources of help with travel costs are available. Colleges can use their access funds to assist with those costs. A number of colleges in remote areas have made creative and constructive arrangements for bus services, to make the college more accessible to people who are studying full time. Once such a service has been created, it can be used by others. I agree that, when the costs are as high as in the case to which the member refers, there is not enough in the standard entitlements under the award loan package or in the discretionary funds that are available to institutions to support many students.

Fergus Ewing: Bursaries must be the solution. Could the association give more consideration to the need to increase bursaries for students in rural

areas, so that the general issue that I have raised can be addressed more fully? It is not being tackled in the bill, although I accept that that may not be the appropriate way of dealing with it.

Tom Kelly: The issue would be covered in the detail of arrangements for the mature student bursary fund, for example. I acknowledge that there is a tension between having standard entitlements—under which a standard amount per bursary will be given to people—and having a wide discretion that would enable institutions to give one individual £100 a year and another several thousand pounds.

Fergus Ewing: During consideration of the Education and Training (Scotland) Bill a comparable problem relating to the provision of individual learning accounts was dealt with by an amendment being accepted and provision being made by subordinate legislation for grants of a discretionary nature towards the costs of travel in rural areas. Pilot schemes are under way in the Borders and in Lochaber. Would the Association of Scottish Colleges support the use of a similar technique in relation to this bill?

Tom Kelly: We support the principle of assistance to cover travel costs, and we would like more resources to be available. However, everything depends on how well funded the schemes are. We cannot offer indefinite extensions of scope of and draw-down from funds if the funds are not available to support that. We need to know the planned level of funding, not just the intention regarding the scope of funds.

Fergus Ewing: The convener started this discussion by saying that, to put it bluntly, you saw this package as involving a trade-off between the level of the threshold and the extent of the exemptions. You have speculated that if the threshold were slightly higher than £10,000, it might not be unreasonable for some, if not all, mature students to contribute. Would you support the introduction of two thresholds—a lower one that would apply to those who are not entitled to exemptions, and a higher one that would apply to some or all of those who are entitled to them?

Tom Kelly: If there is to be an income-contingent contribution on graduation, it should be related to income at that point. In my view, that is the most straightforward way of dealing with this matter. Exemptions are a separate issue. We have established that the mature student exemption would cover two categories of student: those who qualify automatically at age 25 and those below age 25 who meet certain criteria. We do not know how many of those who qualify automatically at 25 need the exemption.

From the outset, we have said that funding, especially for maintenance, should be needs

based. We would extend the definition of maintenance to include those elements without which a student cannot continue to study, such as travel and child care. That would mean accepting, at one level, that some individuals do not need such support. Given that resources are limited, one would like them to be concentrated on the individuals whose needs are greatest.

Fergus Ewing: So your conclusion is that the total exemption of mature students would be arbitrary and potentially anomalous.

Tom Kelly: I understand why the issue was approached in that way, as was recommended by Cubie. There is a relationship between the expectation of family support, whether a student is mature and the basis of cost. The assumption was that, generally speaking, mature students' needs are similar. We are simply drawing attention to the fact that that is an assumption.

Sarah Chisnall: That is why we asked for the survey to be undertaken. No current evidence points out the additional costs that being a mature student incurs. We know that many students face additional costs because they have dependants or caring responsibilities, but we felt that further evidence was needed to back that up.

Fergus Ewing: Could you provide us further evidence, based on your own knowledge?

Sarah Chisnall: We are participating in the survey that the Scottish Executive is carrying out, and we are helping the Executive with that survey.

George Lyon: I have similar concerns to those that Fergus Ewing has raised regarding remoteness from learning centres. Do you agree that one way in which to tackle that problem is to follow the course that was taken by Argyll College, where the remote learning centres were taken out to students, instead of their being expected to travel? How well do you think that Argyll College and the University of the Highlands and Islands, when it eventually comes on-stream, will be able to address the problem of remoteness from learning centres?

Tom Kelly: All the colleges are doing a lot more to facilitate outreach. There are now a few more specific incentives to do that, not only through the UHI, which is attracting a lot of money for capital investments, but through the Scottish University for Industry's capital modernisation fund's endorsement of learning centres. Today's college is not a single campus in one location; it offers learning in many locations.

Any college should look to achieve the right balance between bringing students to the campus and taking learning into the workplace and other centres. I endorse what you say—it is good that new kinds of provision are being made. However,

we must recognise that distance learning works best when people take advantage of new technology, and one of the biggest questions is whether individuals can equip themselves to have access to the internet. That issue is broader than the implications of student support in higher education.

Ms MacDonald: Fergus Ewing and George Lyon have talked about distance learning and the specific position of colleges and students in rural areas. If your plea is for needs-based support for students—whether they are going straight into college from school or as mature students—do we not need to provide as many anomalous arrangements for urban colleges and institutions as for rural ones? Does there not also need to be a relaxation of the ring fencing of the pot of money that the colleges have to support such students?

Tom Kelly: We need to find creative solutions in both urban and rural situations. We have not talked much about the urban situation in this discussion. We must recognise that, although colleges have greatly extended access in urban areas, they still do not reach far enough. Some people still do not enter lifelong learning when they have left school, and we need creative solutions in the provision of education and in financial support.

Ms MacDonald: Do the Executive's proposals go any way towards providing those creative solutions?

Tom Kelly: Not the specific proposals in this bill, but other measures have been introduced. For example, we welcomed the child care grant as a big step forward in dealing with the specific needs of single parents. The question is whether there will be enough such discretionary funds to address all the needs that exist.

11:45

Nick Johnston: I have two questions. First, I would like to return to the issue of upgrading from HNDs to degrees. You probably heard the COSHEP evidence. Our witnesses were quite non-committal about what should be paid by those people who take a further year to convert their qualification from an HND to a degree. How much should those people pay as part of a graduate endowment—or graduate tax, as Margo MacDonald and I prefer to call it?

Tom Kelly: This is a personal view, as we have not consulted our members on this. It seems odd that the cost to someone who is going on from an HND to a degree would be £2,000 for just one year of study. Some contribution must be made. However, it costs the taxpayer much more to put somebody through an honours degree than through an ordinary degree, and that should be reflected in some way. Perhaps a contribution of

£1,000 would be reasonable from students who complete an ordinary degree.

Nick Johnston: I move on to my second and final point. I am interested in paragraph 7.2 of your submission. Do you have any evidence to show that the distinctive features of the FE bursary system will not be retained? You make the point that some students cannot budget on anything other than a weekly basis. Has the Executive indicated that it will change those arrangements?

Tom Kelly: No. I am sorry, but it was not possible to clarify the situation in a short paragraph. An FE bursary that is paid by the colleges has always been calculated and paid on a weekly basis. The cheque may be issued monthly, but the amount is calculated and paid weekly.

There are many other aspects of the alignment that we have yet to see. Wendy Alexander's announcement last week confirmed that there would be proposals for realignments. We welcomed that, as there are severe anomalies concerning parental contribution and the level of allowance that require to be corrected. That is not directly a concern of this bill, but of further education bursaries. We have yet to receive the Executive's specific proposals on that issue.

Nick Johnston: In your submission, you say that the taper in bursaries for maintenance is too severe. I agree with that. Do you have any proposals for the way in which the taper should work if the current proposals are too severe?

Tom Kelly: Over the range of student support bursaries there are various graduated scales, some of which we believe are very severe on people who are at or below the average level of earnings. If the figure is calculated as a percentage of gross income, the severity of those scales becomes apparent. We want the scales to be harmonised upwards.

The Convener: Would you like to make any concluding remarks, Tom?

Tom Kelly: I was pleased with what COSHEP said about considering articulation and progression. We will pursue that further with COSHEP and the funding councils to determine what incentives funding councils could give to make that easier.

The Convener: As you know, the funding councils will give evidence next. I thank you for your written evidence and your oral submission this morning, which have been very helpful.

I remind members that we will go into private session to consider our draft report on the Scottish Qualifications Authority inquiry. I intend to take that item at 12:30.

We now welcome Professor Sizer and David Wann from the funding councils. Professor Sizer, would you like to make some introductory remarks?

Professor John Sizer (Scottish Higher Education Funding Council and Scottish Further Education Funding Council): I shall make two short comments. The funding councils recognised in their evidence to the Cubie committee that the existence of an effective student support system is essential to the future development of higher education in Scotland. That has also been clear in evidence to this committee. From that perspective, we are happy to give whatever help we can to the committee in addressing the recommendations in the bill. However, I reiterate that, as the committee probably appreciates, the councils have no responsibility for providing support for higher education students. We have no expertise in that, so I do not think that we can comment in the same detail as the previous two witnesses gave.

Nick Johnston: I will go straight to paragraph 8 of your commentary on the graduate endowment. You take a different position from that of other organisations and say that encouraging initial entry into higher education is likely to be the biggest hurdle. Do you not feel that the level of debt that students run up is the largest hurdle to further education?

Professor Sizer: We are saying that it is important to encourage the entry of HNC and HND students at that stage to address social exclusion and to widen access, as that gets them on to the ladder of opportunity. We did not make that statement in the context of debt. My colleague is the expert on the numbers and he will add to my answer.

David Wann (Scottish Higher Education Funding Council and Scottish Further Education Funding Council): There is a proposal to introduce bursaries for poorer students. It is clear that bursaries would reduce the prospect of debt for those who are most concerned about it.

Fergus Ewing: I will raise with you the issue that I raised with the ASC. People who live in rural Scotland experience severe problems because, when they travel to and from their colleges, they incur costs that the vast majority of students who attend colleges in towns and cities do not. How does the existing funding system cater for that problem and those students?

Professor Sizer: As I said, I have responsibility for the funding not of the students, but of the institutions. It is difficult for me to give a detailed answer, because I do not have a real feel for the extent of the problem. I will ask my colleague with

more detailed knowledge to comment.

David Wann: If we are talking about FE bursaries, I can say that our responsibility thus far has been to distribute the money to colleges, largely according to past information. Since SFEFC took up its powers last year, we have reintroduced a recycling system to redistribute bursary funds from colleges that have not fully spent them to meet better the needs shown at other colleges.

As for the future, it is clear just from listening to the debate today that there are other issues to consider. We fully support the idea of a needs-based system, which I think the Scottish Executive also supports. Relative need should be measured to ensure that colleges whose communities face the greatest need receive appropriate bursary allocations.

Professor Sizer: SFEFC is undertaking a review of the methodology for allocating bursary awards; Mr Wann chairs the group that is doing that. The bursaries relate largely to further education students rather than to higher education students.

Fergus Ewing: Students who live in remote parts of Scotland face another disadvantage. I have in mind the case of some of my constituents. Two ladies came to see me to explain that it is not possible to receive tertiary education in Mallaig, because there is no Mallaig college. Therefore, unless they pursued distance learning, one of their children would have had to go to Glasgow and the other one would have had to go to Inverness. For such families, there are the additional costs of supporting their children away from home. The option for their children to stay at home to go to college or university simply does not exist. Do you feel that that problem should be taken into account in the review of the distribution of bursary moneys or in some other way and, if in another way, how?

Professor Sizer: I will answer that from my perspective wearing my two hats. From the SFEFC point of view, the development of outreach centres is central to the development of further education. George Lyon alluded to Argyll College. SFEFC provided a strategic grant to create capacity in Argyll, which has been delivered in association with Lews Castle College in Stornoway. There have been similar developments elsewhere. The Scottish University for Industry addresses those issues, too. Part of SFEFC's strategic role is to identify the areas where provision is not adequate and, when colleges propose the establishment of outreach centres, to decide whether we should give them strategic support.

From the other perspective, I have no responsibility for the development of the UHI,

which is the responsibility of the Scottish Executive, but at some stage designation will take place and SHEFC will take over that responsibility. It is clear that the UHI, through the provision of distance-learning networks and outreach centres, has a key role in addressing the issues that Fergus Ewing raises in connection with students in Mallaig. However, that does not necessarily mean that students in Mallaig will not need to go elsewhere if they want to pursue areas of study that are beyond the scope of the further education colleges or the outreach centres. SHEFC has no responsibility for bursary funds, whereas SFEFC allocates bursaries for further education students. As David Wann said, SFEFC is undertaking a review. One part of that review must be needs. We will take that away with us.

Fergus Ewing: Thank you. I believe that the problem has slipped through various nets and I welcome the chance to raise it with you. I believe that the answer lies in discretionary payments for bursaries, which will require more funding.

Professor Sizer: As Mr Kelly said, there is a trade-off all the time between the scope and level of support. Our job is to distribute the funds made available by ministers. We do not create the fund in the first place. However, we have a responsibility to advise ministers. If a need for advice emerges from the bursary review, we will provide it.

David Wann: More generally, SFEFC is conscious of the requirement to marry the needs of remote colleges with the need for innovation and to use best practice techniques and achieve good value for money. We promote the exchange of best practice between those who can meet the needs of rural areas and those who work in other areas so that we can get best value from the limited funds available.

Ms MacDonald: If you discover after the investigation that you need to expand your elbow room or discretion over bursaries because of travel difficulties such as those that we have heard about, will you advise ministers of that?

Professor Sizer: The council will decide whether we should advise ministers. Although I am a member of the council, my role as chief executive is to report to the council. The council then decides what it wants to do. When we report to the council, the executive will ask whether it wants to advise ministers on the issues. In the end, the council has to make the decisions, not the executive. I cannot commit the council to anything—I am not the council, but the chief executive, who advises the council—but part of the council's role is to advise ministers on needs. It is then up to ministers to decide whether they want to take that advice. Indirectly, the Parliament also advises, because ministers have to put their

proposals to the Parliament.

Miss Goldie: It is my turn now. I appreciate, Professor Sizer, that the nature of the councils is something like a corset—the Government ties the stays and you then decide what to do within that shape. However, I am struggling to understand how the funding councils, given their existing core function, will relate to an endowment fund, which seems to be the new concept in tertiary education, however it is paid into or wherever it gets receipts from. I was interested in COSHEP's evidence and in the fact that it is strong on the concept of hypothecation. Do you see yourself having a more robust role, as bidders for tertiary education? Have you any apprehension that, if a hypothecated fund is created, the roles of the funding councils and of the emerging endowment fund may become confused?

12:00

Professor Sizer: You will appreciate that how the endowment fund is handled once it has been created is a policy decision for ministers. However, when the council gives advice on the funding needs of the sector, it sets out what it believes the funding needs to be. If the council is aware that there is a specific decision to allocate funds from the endowment fund to universities separately from the core grant, that would have to be taken into account when it gives advice.

I am not clear about that, as it is a decision for ministers, who may say that they have taken a policy decision that all or part of the endowment fund should be fed back into the universities to maintain the quality and adequacy of higher education provision and that that has been taken into account in providing the grants to the funding council. I do not know whether they will do that. They may tell us that that has been taken into account within our £600 million or £700 million—whatever the amount is at the time—or they may say that we have £600 million from one source and £100 million from another source. That is a decision for ministers and, in the end, we have to live with whatever decisions and policy advice we get from ministers.

Miss Goldie: Yes, but there is also a practical implication for the funding councils in terms of your underlying responsibility for dividing the cake among the institutions. Will you be confronted with a distraction or even a potential conflict of interest?

Professor Sizer: Neither the council nor I have considered that. I have difficulty envisaging such a conflict of interest, but David Wann is director of funding and he will advise me if there is one.

David Wann: At the moment, we advise on the basis of the needs of each of the sectors in the

round. We do not think about the fact that there might be more than one source. Unless ministers indicate that there are different rules, we will continue to advise in the round. That is probably the best way to give such advice.

Professor Sizer: We advise on the basis of what we perceive to be the needs of the sector. When fees were paid through the Student Awards Agency for Scotland, they were like taking a sip from a glass of water, as I shall demonstrate—what was left in the glass was the amount of grant required for the funding council. We advise on the needs of the sector. How that need is provided for—through fees, an earmarked sum from an endowment fund or a grant—is for ministers to decide. In the end, we have to say what we perceive the total needs of the sector to be, which is what we do at the moment.

Margo MacDonald is waving her finger at me, so I have obviously got that wrong.

Ms MacDonald: I wanted to say that that is why David Wann's review is important.

Dr Murray: Professor Sizer, I appreciate that you are involved in funding institutions rather than with individuals, so this is all somewhat at arm's length for you. Paragraph 8 of your submission mentions the hurdle of initial entry into higher education, and you say that you welcome the exemption of HNC and HND students in that respect. You also agree that, if people want to progress to a further degree, they will increase their financial advantage and should therefore be liable for the graduate endowment. Do you think that those students should be liable for the entire graduate endowment or do you feel that they should pay a proportion of it?

My second question follows on from that. It is also about articulation and progression, and probably relates more directly to your functions. Do you think that there is a case for joint funding where higher education and further education institutions are working together collaboratively, as they are beginning to do at the Crichton campus in Dumfries? At the moment, the fact that there are separate pots of money for higher and further education can be a disincentive to joint working and to enabling students to progress by selecting courses from different institutions.

Professor Sizer: I do not think that I can really answer your first question. The councils have not considered the matter and I do not have a personal opinion on it. The councils believe that the decision that has been made regarding HNC and HND students is consistent with the evidence that they gave to the Cubie committee. We can see the case for students becoming liable for the graduate endowment. We have not gone to the next stage, because we have not been asked to

give advice.

As for the relationship between SHEFC and SFEFC, I should begin by saying that the two councils are working closely together. That is one of the reasons why we have a joint executive. We had a joint group on widening access and we now have joint policies on widening access for the two councils, setting out where they will work together and where they have specific roles. Highlands and Islands Enterprise, Scottish Enterprise and the two funding councils have been working together on a combined strategy for lifelong learning, and we will be announcing a consultation on how that joint policy should be implemented. The two councils periodically meet jointly to discuss issues of common interest, so that is happening naturally.

In evidence to the Cubie committee, SHEFC—SFEFC did not exist at the time—argued that the logic of having a continuous iteration of lifelong learning was that it should lead, in the longer term, to the establishment of a tertiary education funding council. Sir Ron Garrick considered that in his report, which came to broadly the same conclusion. However, there was an initial need for a further education funding council as a transitional stage.

That was the view of the Scottish Higher Education Funding Council at the time. The two councils have not discussed that in a common meeting, but they are now beginning to discuss the issues. We have seen mergers on both sides of the divide between further education and higher education, but tertiary education institutions could emerge. Where higher education institutions propose to go a step further than the articulated arrangements, a strategic alliance could be made or there could even be a merger. The UHI proposal is not a merger, but it is certainly a strategic alliance that cuts across both funding councils. I expect that that issue will have to be debated at some appropriate time; it will be beyond my time, so I can say that without having you hold me to account for my comments at a later date. As yet, however, ministers have not asked either of the councils for a view on that situation.

Marilyn Livingstone: I have been asking all morning whether witnesses think that there is equity of treatment between those taking traditional highers and those taking vocational qualifications in being able to progress seamlessly into higher education institutions. Are there any statistics that would show us whether the ability to progress from schools or from further education into higher education is equal across all our universities? Do you think that enough is being done by the funding councils to promote articulation between vocational education and higher education institutions?

Professor Sizer: I shall allow David Wann to

answer the question about statistics. SHEFC would argue that there must be a diverse system of higher education, with different institutions having different roles and missions. The council wants every institution to be excellent at what it does, rather than being second rate at what other institutions do excellently. It is therefore unrealistic to assume that every institution would have the same profile of activity, particularly in the balance between teaching and research.

Marilyn Livingstone: That is not what I was asking. Perhaps I did not put the question very well.

Professor Sizer: I am coming to your question.

Marilyn Livingstone: I am asking whether you think that universities across the board accept those who have level 3 vocational qualifications just as they would accept those with traditional highs.

Professor Sizer: Perhaps I misunderstood you. I thought that you were going to the next stage and implying that all institutions should have broadly the same mix. The mix will vary, but the policies on equality of opportunity should be the same. SHEFC has recently asked all institutions to inform us and satisfy us that they have adequate policies on equality of opportunity at the point of application. That is the key point. We want to be satisfied that that is the case when students apply for courses. Our responsibilities are limited to some extent, but we have made that inquiry. David Wann can say a little more about statistics and about the survey that we have undertaken.

David Wann: SHEFC, with its sister funding bodies throughout the UK, produced a performance indicator publication back in October. A large section of that publication was about access statistics and the attributes of various entrants to universities in the UK. A lot of information is available and I have no doubt that a lot of questions will emerge from it. As John Sizer said, we observe that there is diversity in the system, with different universities serving different markets.

Marilyn Livingstone: That is not the point that I was making. I was asking about equality of opportunity and access. That information would be useful to the committee. Could we have a copy of the document?

David Wann: The document has been published and I believe that there is a copy in the Scottish Parliament information centre.

The Convener: The clerks can circulate copies to members.

That concludes our questions. Would you like to make any closing remarks, Professor Sizer?

Professor Sizer: No, but I look forward to my next appearance before the committee. I hope that my evidence has been helpful, but you must appreciate that my scope is fairly limited. When you come to discuss the roles of the two councils, I will have more difficult and penetrating questions to answer.

The Convener: Your written and oral evidence has been helpful. Thank you very much.

12:13

Meeting continued in private until 13:03.

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