

# **ENTERPRISE AND LIFELONG LEARNING COMMITTEE**

Wednesday 22 November 2000  
*(Morning)*

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## ENTERPRISE AND LIFELONG LEARNING COMMITTEE

29<sup>th</sup> 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

Frank Duffy (Scottish Executive Enterprise and Lifelong Learning Department)

Lucy Hunter (Scottish Executive Enterprise and Lifelong Learning Department)

Alisdair Meldrum (Scottish Executive Secretariat)

Colin Miller (Scottish Executive Enterprise and Lifelong Learning Department)

Nicol Stephen (Deputy Minister for Education, Europe and External Affairs)

### 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 22 November 2000*

*(Morning)*

[THE CONVENER *opened the meeting at 10:04*]

**The Convener (Alex Neil):** Good morning and welcome to the 29<sup>th</sup> meeting this year of the Enterprise and Lifelong Learning Committee. We have a full agenda, which we will try to get through as best we can. First, I ask the clerk Simon Watkins to read out the apologies.

**Simon Watkins (Clerk):** There are apologies from Elaine Murray, who has laryngitis.

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

**The Convener:** Item 1 is the Education (Graduate Endowment and Student Support) (Scotland) Bill. This morning we welcome Nicol Stephen, Deputy Minister for Education, Europe and External Affairs, to the committee. Nicol, could you introduce your team and make a few opening remarks?

**The Deputy Minister for Education, Europe and External Affairs (Nicol Stephen):** On my immediate left is Lucy Hunter, head of the higher education, science and student support division. On her left is Gillian Thompson, the head of the student support team. Behind me are Frank Duffy, the head of the council tax policy unit, and Linda Sneddon, from the office of the solicitor to the Scottish Executive. I will handle most questions myself, but if there are any particularly technical issues I will offer members of my team the opportunity to contribute.

I begin by focusing on the progress of the bill. As members know, we are redrafting the bill. The bill in front of you is the one that was submitted originally. It has not yet been withdrawn, but we have indicated our intention to withdraw it once the redrafted bill has gone through the various approval processes. I am pleased to say that a redrafted bill was passed to the Presiding Officer this morning for scrutiny, which is required before it can be formally introduced. The Presiding Officer is allowed up to three weeks to examine the bill. If the committee so wishes, I will make reference to certain aspects of the changes that have been

made to the redrafted bill.

We are still on time to progress the bill on the basis that was previously discussed with the committee, so there should be no change to the timetable as a result of this situation. I have followed the committee's meetings with considerable interest and I am grateful for this invitation to appear before you this morning. I would like to make a few key points about the bill, but perhaps I should pause to see whether there are any points concerning the redrafting process.

**The Convener:** As the redrafted bill has now been presented to the Presiding Officer, would it be possible for committee members to get copies, even though the Presiding Officer has not approved it?

**Nicol Stephen:** I have the redrafted bill in front of me and, as I said, I wish to be helpful and to give the committee more information, which would be a lot easier if I offered members a copy of the bill. I would be happy to do that.

**The Convener:** The clerk advises me that that would be against protocol. Can I leave that with you, minister?

**Nicol Stephen:** Certainly. I see significant benefit in providing a copy of the bill, because I will be referring to it and it will be difficult to give satisfactory explanations if members do not have a copy. The matter rests with the committee, but I am happy to make the redrafted bill available to it.

**The Convener:** Do members have any comments?

**Mr Duncan McNeil (Greenock and Inverclyde) (Lab):** I would like to be clear about the protocol that we are operating under. Would it be possible to have an adjournment to take advice? I would like a copy of the bill.

**Simon Watkins:** Technically, it is not possible for the committee to consider a bill that has not been introduced to Parliament. If I understood the minister correctly, he said that he was willing to write to the convener to explain what the changes would be. Until the bill is introduced, we cannot be sure what it will contain.

**Nicol Stephen:** The draft bill that has been passed to the Presiding Officer will not necessarily be exactly the same as the bill that is introduced in due course. As a result of dialogue with the Presiding Officer, amendments may be made to the bill. However, I have no objection to the draft bill being made available to the committee, as I am sure that the committee understands its status. Obviously, there is concern about possible confusion between different drafts, but ministers already have to cope with that.

We are at stage 1 of the Parliament's

consideration of the bill, which relates to its general principles. I have assured the convener and the committee that the general principles of the bill will not change. The committee may, therefore, proceed to take evidence from me this morning, just as it has taken evidence from others. However, it may be more helpful for members to take that evidence in the context of the redrafted bill. The redraft does not involve changes to the bill's general principles, but a copy would provide the committee with additional information that members may find helpful.

**The Convener:** As I understand it, we cannot consider the bill formally until it has been introduced. Are you suggesting that we should have sight of the redrafted bill?

**Nicol Stephen:** The committee would still be considering the general principles of the bill. You would have before you the text of the bill as originally introduced, but you might find it helpful also to have sight of the redrafted bill. It is for the committee to decide on that.

**Miss Annabel Goldie (West of Scotland) (Con):** I agree with Mr McNeil that it would be helpful to have sight of the redrafted bill as soon as possible. Minister, I appreciate that you are governed by protocol, but I take it that there is no reason why you cannot this morning give a brief indication to committee members of the principles of the changes to the redrafted bill. That would enable us to reflect on the questions that we should ask you, having regard to the evidence that we have already taken.

**Nicol Stephen:** I can be more helpful than that. My position is clear. If the committee is requesting a copy of the redrafted bill, I am happy to pass one to the committee clerk immediately. However, the committee will understand that the bill has not yet been reintroduced.

**Miss Goldie:** Could we describe it as illustrative?

**Nicol Stephen:** It is a draft bill.

**The Convener:** I am sure that members would find it helpful to get sight of the text that has been presented to the Presiding Officer. However, we will not be able to consider it formally until we have received it from the Presiding Officer. The minister has been invited back next month so that we can question him formally on the redraft, assuming that the Presiding Officer has approved it. Are you happy with that arrangement, minister?

**Nicol Stephen:** Yes. I am pleased to pass across to the clerk of the committee a copy of the redrafted bill.

**The Convener:** Please continue with your opening statement.

**Nicol Stephen:** I will keep my remarks relatively brief. We have had debates in the Parliament on the policy behind the changes to student support and the introduction of the graduate endowment that we are proposing. Our objectives are clear. We want to widen access to our universities and we want to give greater assistance to students, particularly disadvantaged students, during their studies. I am very pleased that the latest Universities and Colleges Admissions Service statistics show a 7.6 per cent increase this year in the number of Scots accepted to study in Scotland.

Our proposals would mean that no student would have to pay tuition fees or face more debt. Under our updated plans, 99 per cent of young students will have less debt; 40 per cent of young students will receive a bursary of up to £2,000 a year; and more than 20 per cent of young students will benefit from the additional spending power that they will have by being able to borrow up to £500 extra a year.

10:15

The threshold at which the graduate endowment will be repaid has been a major issue and there will obviously be questions on it. It was the Scottish Executive's view that no student should have to face two sets of monthly repayments—one for repayment of the living cost loan and, separately though potentially at the same time, one for repayment of the endowment. Under our system—this point has been misunderstood—the repayment will be a single repayment. Because of our commitment that no student will face more debt, even after taking into consideration the graduate endowment of £2,000 a year, no student will have to make a greater repayment through the income-contingent scheme than he or she does under the current system. We believe that additional debt could be a real deterrent to access. Fear of debt is a significant concern, especially among disadvantaged students. However, we can guarantee that, even after repayment of the graduate endowment, nobody will have additional debt and nobody will have additional monthly payments.

Considerable concerns have been raised over the use of the funds raised through the graduate endowment and over whether the bill will stipulate that those funds will be allocated to student support. I indicated that we were considering that point; the redrafted bill now includes a link between the income from the graduate endowment and the spending of that money on student support.

The package means less debt for 99 per cent of young students. We believe that it will encourage greater and wider access to our universities and

colleges. Our argument for the graduate endowment is not based solely—or even significantly—on the additional bureaucracy that would have to be set up to collect graduate endowment repayments separately from loan repayments. The package represents a significant increase in funding for student support. Once introduced, it will involve £50 million of new investment from the Executive each year. It will reintroduce bursaries for our poorer students and it will reduce debt. A key element in the package is the bill that members have in front of them today. I will be happy to answer questions on its general principles.

**Marilyn Livingstone (Kirkcaldy) (Lab):** I would like the minister to clarify one or two things. Some of my questions arise from evidence that we took last week from the Committee of Scottish Higher Education Principals and the Association of Scottish Colleges. If a young person or a mature student has undertaken a higher national diploma at a college and wants to transfer to a university, will there be any cost? He or she will be going on to take a degree; how will that be treated in the bill?

**Nicol Stephen:** People who have an HND or a higher national certificate will be exempt from the graduate endowment. However, if they go on to take a degree, we must consider whether they should start to pay the graduate endowment, as they will have upgraded to, or progressed on to, a form of higher education that awards degrees. Courses at some universities allow people to upgrade an HND to a full degree after one year of study. We have made it clear that students on those courses will not be liable for the graduate endowment, because it would be unfair if people were asked to take on a liability for a £2,000 graduate endowment for one year of study.

Beyond that, a technical group is considering the issues, some of which are quite complicated. For example, some students upgrade from an HND to a full degree through a combination of part-time and full-time study over more than one year. We are considering the fairest solution to that problem and will make proposals to the committee in time for stage 2. While it would be reasonable to ask HND students who study full time for two or three years to upgrade to a full degree to pay the graduate endowment at some stage, we have yet to decide the fairest solution.

**Marilyn Livingstone:** My second point is on those people who are in, say, second year at university. How will the proposals affect them?

**Nicol Stephen:** People who are in second year at university will no longer pay tuition fees—no university students pay tuition fees for full-time study. We considered the possibility of extending access to the new bursaries to students who are

currently at university, but that would have been complex to implement, as it would have meant running several schemes at the same time. We have not been pressed heavily on that issue by the various representative bodies. On balance, therefore, we decided that the best way ahead would be to offer the new scheme—payment of the graduate endowment and access to the new bursaries of up to £2,000 a year and the extra student loan of £500 a year for students from the poorest families—to new students who will start their first year in the autumn of 2001.

**Marilyn Livingstone:** My final point relates to widening access to university, which the committee talked about last week. We were concerned that there have not been large increases in the number of people from socio-economic groups 3 and 4 entering university. I am concerned about equity in qualifications at the point of entry.

The Association of Scottish Colleges agreed with the committee that people who have vocational, rather than traditional, qualifications still face barriers. How can that situation be improved? What work is being done within the Scottish qualifications framework and elsewhere to encourage an increase in the number of people with vocational qualifications entering universities?

**Nicol Stephen:** You are right to touch on the issue of widening access, which will not be tackled through the package of measures in the bill alone. It has been pointed out that entry to higher education among socio-economic groups 3 and 4 is less than 10 per cent. At one time, when people could still access full grants, the figure was even lower, at around 6 per cent.

We must consider implementing a range of initiatives. A lot of good work is going on with the universities and colleges in order to ensure progression from college-based or vocational qualifications to university or degree courses. There are initiatives such as the greater opportunity of access and learning with schools project in Glasgow and the Lothian equal access programme for schools project—GOALS and LEAPS. A lot of excellent work is going on with schools, but a key element will be the new Scottish qualifications framework. The intention is to simplify the system to achieve greater comparability between qualifications and to ensure that we break down the barriers that you referred to.

We want to encourage more students from all walks of life—young students from poor or disadvantaged families and mature students with a vocational background—to upgrade their qualifications and to access the benefits of higher education. That will not be achieved without a great deal of hard work and it will take significantly

more than one initiative to make progress. We are talking about a cultural change, but one that is vital for the whole of Scotland and particularly for Scotland's economy. We need more highly skilled individuals, which means that we must encourage more people from a variety of backgrounds to enter higher education.

**Miss Goldie:** I listened with interest to what you said about aligning the two systems for student loan and endowment repayment. Have you had the advantage of looking at the work of the Higher and Further Education, Training and Employment Committee in the Northern Ireland Assembly? We have studied papers relating to that committee's work, which have been immensely helpful, but I appreciate that you may not be conversant with them.

**Nicol Stephen:** I have read the proposals that you refer to, but I do not have a copy with me. However, I could summarise them by saying that they are very much in line with the Cubie committee proposals, although there are some differences.

**Miss Goldie:** Indeed there are. Our primary concern is to widen access throughout Scottish society to further and higher education. Your proposed scheme will involve 99 per cent of students having a lower level of indebtedness than is currently the case, but those students who are currently at university decided to go there in spite of the fact that tuition fees had to be paid up front, which we know was a deterrent. Are we dealing with reliable statistics? You say that the proposals are good because they will make life better than it currently is. However, currently we are not getting enough people in.

Having looked at the bill and at Cubie and having read about the experience of the Northern Ireland committee, I am concerned that the current proposals will not widen access, but act as a deterrent. Those proposals simply switch an up-front payment obligation to a deferred payment obligation, but at a level of income that all our witnesses have conceded would make it difficult for the obligant to cope with repayment.

**Nicol Stephen:** On the deterrent factor, it is difficult to suggest that there is a direct correlation between debt and individuals accessing university. As you said, changes to the system over the past two or three decades have resulted in more students in the system generally, but in a less generous system of maintenance and student support for those students. That trend has continued over the past few years. We are still seeing a larger number of students coming into the system, but the grants, loans and fees situation has offered what many would argue is a poorer system of student finance or one that could act as a deterrent.

The gap between students from disadvantaged backgrounds and those from better-off backgrounds has remained big. The bodies representing the students and the universities and colleges made it clear that an improvement in student support arrangements would be a key factor in improving the general situation and in narrowing the gap. Our package represents a significant improvement in student support arrangements, arguably for the first time in several decades. We are starting to turn the situation around and to provide students with a more generous package of support.

10:30

Even after taking into account the payment of the graduate endowment, students from the poorest backgrounds who are making maximum use of the loans that are currently available would graduate with about £14,900 of debt. Under our proposals, despite the fact that those students access the extra £500 a year of loan, given the graduate endowment and the bursary of £2,000 per year that will now be available to them, they will graduate with £10,900 of debt. That is a reduction of £4,000 of debt for our poorest students. I believe that anyone involved in higher education and dealing with student support, debt aversion and the fact that students can be put off going into higher education by the threat of significant debt at the time of graduation would view the proposals as a significant improvement.

**Miss Goldie:** A student of the type that you have described could graduate with debts of more than £10,000, with a requirement to start the repayments if their earnings are above the threshold of £10,000. Does that mean that you are confident of the ability of that graduate to repay?

**Nicol Stephen:** Graduates are currently repaying under the new income-contingent scheme. Because of the threshold set at Westminster, the repayment is set at 9 per cent of income over £10,000. The National Union of Students campaigned for that income-contingent system and was highly critical of the mortgage-style repayment system, which kicked in, I believe, at an income of £19,100.

The current income-contingent system—we may all have views about the threshold and about the percentage of income—was not opposed; it was campaigned for. I think that most students regard it as a fairer system. We do not have the power to change the loan repayment system. Even if the Cubie proposals were implemented in full, that system would have remained, so there would still have been an element of loan repayment at 9 per cent of income over £10,000.



**Miss Goldie:** Your difficulties would diminish, minister, if you were prepared—given the reality of a devolved Parliament in Scotland—to separate loan repayment from graduate endowment and to concede the principle of setting up in Scotland a Scottish endowment fund for higher and further education. That would get you out of the hole of trying to align repayments to a threshold about which, as far as I can gather, every witness from whom we have taken evidence has expressed profound concern with regard to the ability of the graduate to cope with such a level of repayments. Are you hostile to the concept of a Scottish endowment fund that would simply take the graduate endowment payments?

**Nicol Stephen:** I am concerned that students would then be liable for two repayments. One of those, for the student loan, would continue to be at 9 per cent of income over £10,000. The NUS and the Cubie committee members seem to think that that acts as a deterrent, and the deterrent would still be part of the system. Students with a loan would still be required to start to pay towards it as soon as their earnings reached £10,000. Moreover, there would be an additional payment that, depending on the salary threshold, students would have to make at a stage in their life or career when they were perhaps taking on extra responsibilities and burdens.

**Miss Goldie:** Yes, but if we separated those two components—and there is no doubt that, in aligning them, we are creating a distortion—the graduate would be given the prospect of a realistic ability to repay, by having at least the endowment element of his repayment based on an income threshold of £20,000 or £25,000, which every external commentator seems to concede is workable.

**Nicol Stephen:** What would one say to the student with whom one was discussing that system? The monthly payment of a poor graduate on a salary of £10,000 or above would not change: they would still have a student loan and would make a single monthly payment of 9 per cent of their income over £10,000 to start their repayment of that loan. Separately, at some future stage, they would have to undertake an additional payment if their salary reached the appropriate threshold. I would not offer to the student with whom I was discussing that system any lower monthly payment because that student had just started his or her first job and was earning more than £10,000 a year for the first time.

Although the advantages of a separate collection system have been highlighted by representatives of the Cubie committee, I prefer the argument of COSHEP, which suggests that, if there is a problem with the repayment of 9 per cent of a graduate's income over £10,000, the

cure would be to increase the repayment threshold or to adjust the percentage payment element of both the loan and the graduate endowment. That would offer real benefits to individual students.

**Miss Goldie:** My final question concerns the concept of the endowment fund in the bill. In Northern Ireland, the Administration has created a separate, identifiable endowment fund for specific purposes. Is it the Executive's intention to create such a separate, identifiable fund?

**Nicol Stephen:** No, that is not and never has been the Executive's intention. The Cubie committee did not originally propose that there should be a separate fund, although Mr Cubie and his representatives last week suggested that they would now prefer such a fund. It is vital that the bill contains a commitment to use the income that is generated by the graduate endowment for student support. The draft bill that I presented today to the Presiding Officer contains such a commitment.

The key element in the graduate endowment has always been the fact that the income will allow us to reintroduce bursaries and can be used to improve support arrangements for students from disadvantaged backgrounds. New section 2(1) of the bill states:

"The Scottish Ministers shall, in making budget proposals to the Scottish Parliament, include provision that the income arising from the graduate endowment for the financial year to which the proposals relate be used for the purposes of student support."

That is a strong commitment, which will be widely welcomed.

**Elaine Thomson (Aberdeen North) (Lab):** We were all pleased to hear what you said earlier: that 99 per cent of students will have less debt; that 40 per cent will have a bursary of £2,000; and that more than 20 per cent of young students will have extra benefits of £500. That all represents substantial investment in the support of our young people. Approximately how much Government subsidy of student support does that represent?

Many of the witnesses who have appeared before this committee have been concerned about the repayment threshold. COSHEP felt that it should be raised for both the graduate endowment and the student loan. What are your views on that? I believe that a review of the threshold is being undertaken. Do you intend to make representations to that? Can you expand a little on what the impact of raising the repayment threshold might be in terms of the percentage of their income that a student might have to pay back?

**Nicol Stephen:** The total extra investment that is reflected in all those changes represents an increase in expenditure of £50 million a year. The whole package represents a significant 15 per cent increase in the total budget of the Student

Awards Agency for Scotland. I do not have in front of me the individual cost of each element of the package, but I could give estimates to the committee based on the current financial models that we have been running. That might be helpful, but I would prefer to give those estimates in writing.

We have made representations to our colleagues in Whitehall regarding the potential review of the £10,000 threshold. It would be in the power of Westminster to vary such a threshold, although it has not been varied since 1998, when the income-contingent scheme was introduced. We have received no indication of whether there is a willingness to increase that figure.

No graduate in Scotland will have to start repaying the graduate endowment until 2004. It is very unlikely that a student will ever have to repay the graduate endowment at the rate of 9 per cent of their income over £10,000—the current income-contingent scheme proposal. Representations are being made not only by the Executive, but by the NUS and other representative bodies. It is appropriate that the matter should be considered and the threshold raised. I do not have detailed figures in front of me, and the Scottish Executive does not operate the financial model, but I know that raising the threshold would be a very expensive thing to do.

The committee might want to consider that, as well as the threshold being increased, the loan rate could be varied. That would be less costly, depending on how big an increase was made in the loan rate. We can make representations on such matters, but they are within the powers of Westminster and Whitehall.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** Does that mean that the Executive cannot raise the threshold of £10,000 that is contained in this bill without Whitehall's permission?

**Nicol Stephen:** The proposal in this bill is that the graduate endowment will be repaid through the UK-wide, income-contingent loan scheme. Let us be clear: it would be within our power to set up a separate system. The Cubie recommendations suggest that. I assume that that would involve a mortgage-style repayment scheme.

Although under a mortgage-style scheme, repayment kicked in—and still does for some students—at an income level of £19,100, the scheme was heavily criticised by students. That was understandable. Under the income-contingent scheme, at an income of £19,100 a person would repay £819 per year at a rate of 9 per cent of income over £10,000. Under the mortgage-style repayment scheme, a person with a salary of £19,100, who has the level of debt that is currently

expected at the end of a degree, would be expected to pay almost £3,000 per year. That would be more than three times as much as under the income-contingent scheme. That shows why the mortgage-style scheme received so much criticism.

We could introduce a separate scheme, although we would have to set up different administrative arrangements and we would have to decide what sort of scheme it would be. We would still have student loans in the system, which would still have to be repaid by students who earned more than £10,000 per year, at the rate of 9 per cent of their income over the £10,000 threshold.

10:45

**The Convener:** I do not want to curtail the discussion, but given the pressure on our time, I would ask members to keep questions and answers short.

**Fergus Ewing:** Would you, personally, urge that the threshold of £10,000 be increased, as argued by all the witnesses and consultees?

**Nicol Stephen:** It would be appropriate to increase the threshold, which has not been reviewed since 1998. However, as a Scottish Executive minister, it is not within my power to do that.

**Fergus Ewing:** I am pleased by the candour of your response.

Can I take it that the Executive now publicly acknowledges that tuition fees, as introduced by Her Majesty's Government, have proved to be inimical to the aim of ensuring the entry of poorer people into higher education?

**Nicol Stephen:** The Scottish Executive is pleased that tuition fees have been abolished. Expanding further on that statement would run counter to the convener's earlier request.

**Fergus Ewing:** I am not quite so pleased with the candour of that answer, minister.

Professor Stewart Sutherland expressed the view that the immediate problem for young people from poor backgrounds was how to make ends meet. I have a simple proposal requiring Her Majesty's Government to act in conjunction with the Executive. As Gillian Thompson explained to us at a previous meeting, student loans are treated as income rather than capital, despite the fact that, as everyone knows, a loan is a capital transaction. What are your views on that?

That approach has prevented a single parent in my constituency from receiving a higher bursary, because her student loan is treated as part of her income. She needs that bursary to allow her to

travel the 83 miles from Inverness to Fort William each study day. Would you support an amendment to the law to allow student loans to be treated as capital, thus easing the financial burden on students?

**Nicol Stephen:** One of the problems is that the student support system impacts on the social security system, which is the responsibility of the Department of Social Security. I would be happy to examine the individual circumstances of Fergus Ewing's constituent and I would be more than willing to write to him on that issue.

We have tried to address the issue of the income level of our poorest and most disadvantaged students. Young students can apply for an extra loan of up to £500 per year. That is tapered: 20 per cent of young students will have access to something extra and 17 per cent of young students will have access to the full £500. The mature students bursary has often been misunderstood. That bursary is additional to the loan entitlement. There is no question, as with young students, of the bursary entitlement displacing a mature student's entitlement to a loan—which, I would argue, is still a significant benefit, as it reduces the overall debt of the young student. The mature students bursary is available to mature students in addition to any loan entitlement that they have.

**Fergus Ewing:** At stage 3 of the Education and Training (Scotland) Bill, you promoted an amendment that recognised that many people in rural Scotland face extra costs when participating in individual learning accounts. Will that principle be applied to this bill, so that potential students in rural Scotland are not discouraged or prevented from participating in tertiary education because of higher transport costs?

**Nicol Stephen:** The bill as currently drafted has five sections. Within that space we will not be able to tackle all the issues that Fergus Ewing raises. However, I undertake to consider the issue of travel costs in the context of the mature students bursary fund, as there is flexibility in the introduction of that fund.

**George Lyon (Argyll and Bute) (LD):** I want to return to the issue of the threshold, as it is important. I would be grateful if you could offer some clarification.

**Nicol Stephen:** I will try to shed some light on that.

**The Convener:** Members will notice that the lights come on when George Lyon starts to ask questions.

**George Lyon:** Last week we heard evidence from a number of organisations that the £10,000 threshold on loan repayments was an issue that

concerned students. Over a period of months the Cubie committee travelled the length and breadth of Scotland meeting parents, students and representatives of different universities and colleges. However, when last week former members of the committee were asked whether the level of the threshold was a burning issue, Dugald Mackie replied:

"As odd as it might seem, that issue was not raised with us in the public consultations, particularly with students or their parents. The significant difference is that with the old loans system, based on mortgage-type repayments, graduates had to start paying the full amount once they had passed the threshold . . . Although we certainly discussed whether the £10,000 threshold should be raised or stay the same, we decided to leave the issue alone as it had not really been raised with us."—[*Official Report, Enterprise and Lifelong Learning Committee*, 14 November 2000; c 1308-09.]

In your consultation with bodies on the proposed new bill, what evidence did you receive on this issue?

**Nicol Stephen:** I am told—although I would like the opportunity to check it—that in our consultation the issue of the threshold was not raised in any significant way. The general view on the introduction of income-contingent loans was that they were not just an improvement, but a significant improvement on the current mortgage-style scheme, and that they were something for which students and student bodies had campaigned. The mortgage-style scheme, which has an income level for starting repayments of £19,100, was widely criticised. There was a feeling that the income-contingent scheme, which introduces a threshold of 9 per cent of income over £10,000, represents a significant improvement on the previous mortgage-style scheme that was operated through the Student Loans Company.

**George Lyon:** That goes to the nub of the discussion about the threshold. When a wide-ranging public consultation is held, it is not even raised as an issue in the discussions. I find that difficult to comprehend, given the evidence that we heard last week.

How many students under the Executive's current proposals will have less debt? You said that £14,900 is the debt that students who take out a full loan would be required to pay back under the current system. Under the new proposals, you suggested that students from lower-income backgrounds would have a debt repayment of £10,900, which includes the £2,000 endowment payment. How many students will have that lower debt level? How many will have a lower level than £14,900, which all students who take out a full loan have to repay?

**Nicol Stephen:** Around 99 per cent of all young students will benefit from less debt—that is

approximately 67,000 students. Those who will benefit most from the system will be those whose parents are in the lowest income category, which is an income of £10,000 or less. I do not have a precise figure, but I will make available to the committee the number of the most disadvantaged students who will benefit. Was there another element to the question?

**George Lyon:** You suggested that more than 90 per cent of students would have lower levels of debt. How will that work? Will there be a tapering from £10,900 up to the £14,900 level, depending on parental income?

**Nicol Stephen:** We made the tables available, but we could reissue them. Since the tables were first published in January, they have been adjusted to meet our guarantee that no student will have more debt. Indeed, I can disclose that 99 per cent of students will have less debt. That is why, for example, the statistic that 40 per cent of young students will receive a bursary is slightly different from figures that were previously quoted. I would be happy to reissue the tables, which would help the committee.

**George Lyon:** You may have answered my next question, which is about how much extra money students will have to spend over the period of a four-year course compared with what they have under the current loan scheme.

**Nicol Stephen:** The extra spending power will be the extra £500 per year that we are making available, so it would be £2,000 over the course of a normal four-year degree for the poorest students.

**George Lyon:** So the poorest students will have £2,000 extra.

**Nicol Stephen:** They will have £2,000 extra spending power and £4,000 less debt on graduation.

**George Lyon:** Where does the £750 so-called bounty or extra payment that will be made to students from poorer backgrounds fit in alongside the new scheme?

**Nicol Stephen:** I am told that we are not in a position to confirm the figure of £750 because it is currently a matter of press speculation and has not been formally announced. If it were to be announced anywhere, it would be in the letter from the Minister for Education, Europe and External Affairs to the Scottish Higher Education Funding Council announcing its funding settlement and the minister's proposals for that higher education funding. If you wish to press me further on this, I will ask Lucy Hunter to give us the details of the current situation.

**George Lyon:** That would be useful, given that there was criticism from Cubie that the Executive's

proposed arrangements still left students approximately £700 short of the money needed to cover their expenses for a 12-month period.

11:00

**Lucy Hunter (Scottish Executive Enterprise and Lifelong Learning Department):** The press stories from earlier this week are about a separate form of support that the Executive provides: the core funding allocation to the institutions. As the minister has said, the issue here is the way in which the funding formula for institutions works. Ministers have indicated that they want the funding council to adjust the core funding formula so that the institutions that serve larger proportions of under-represented students would see a greater weight in their formula, which would recognise the additional costs that the institutions argue that they have to meet in providing support to those students.

That is a separate issue from the student support package, which this bill and the surrounding announcements deal with. It is an issue about institutional funding: providing institutions with greater financial support, so that they in turn can provide support to students. Ministers believe that that especially will aid retention of students, which is a big issue in those under-represented groups.

**Nick Johnston (Mid Scotland and Fife) (Con):** Minister, I think that you would agree that one of the founding principles of the bill is that students benefit financially from a degree. You have probably gathered today that all our witnesses question whether an endowment collected at £10,000 is likely to widen access to higher education.

I draw your attention to a couple of anomalies. A student from a family with a combined income of £15,000 will receive only half the available bursary and will still graduate with a debt of £14,900. I have just done a little table: if you graduated with a debt of £14,900 and you earned only £11,000 a year, it would take you 205 years to pay it off; it would take you 18 years if you earned £20,000 or six years if you earned £40,000. The Barclays student debt survey makes the point that on a £10,000 threshold, many students will have to service three types of debt: the student loan and graduate endowment; their bank overdraft; and credit card debt. Representations have been made to me about a student who graduated last year with more than £17,000 debt from different sources. In the light of those figures, do you still insist that £10,000 is the right threshold?

**Nicol Stephen:** Representations were made to us that we should move to a debt-only system. That system is supported by Mr Johnston's party.

It is interesting that he shares my concern about the debt problem and debt aversion. That problem would probably be made greater if we went to a loan-only system, with commercial rates of interest on loans. I do not support that. We are moving towards a system in which there is a mix of loan and bursary and in which bursaries will be made available to individuals from poorer backgrounds.

I want to address the detail of the debt situation in relation to parental income—which Nick Johnston mentioned—in the light of the revised tables that I will ensure will be issued. The explanation for the situation that he described is that we are making a further £500 a year available to students from poorer backgrounds—their spending power will increase. Because of that, there are students in the mid-range of poorer families—those who are entitled to a bursary but who are also entitled to the extra £500 a year—whose debt will not decrease significantly. However, under this system 99 per cent of all young students will have less debt. That is a significant improvement on the current system.

If we had removed the entitlement to an extra £500 a year on loans, it would have been possible for the Executive to produce a graph or table that showed that the debts of students in that sort of parental salary range were decreasing by much more—by up to £2,000. However, most members of the committee and Parliament would, on balance, prefer that extra £500 to be available to students from poorer backgrounds. Those students do not have to take the extra £500 up but, as has been said, evidence from a variety of sources suggests that debt aversion is not the only important factor. The knowledge that they will have enough money to cover their living costs at university is also a significant factor in persuading more young people from poorer backgrounds to go into higher education.

**Nick Johnston:** Sir Stewart Sutherland and COSHEP argue that the £10,000 threshold will deter students from taking up postgraduate courses combined with employment, because they would then be studying and trying to pay off debt at the same time.

Is the minister aware that it is not possible to borrow from the Student Loans Company once one is 55? Does lifelong learning stop at 55?

**Nicol Stephen:** Yes, I am aware of that and I have questioned it. The same used to be true of commercial lending to older people, but arrangements have been freed up in recent years. I agree with Nick Johnston's point—we should look into that.

**The Convener:** I take it that you have no interest to declare, Nick?

**Nick Johnston:** I may have to go to university after my time in Parliament.

**Nicol Stephen:** I should point out that no upper age limit applies for the new mature students bursary fund. Can you remind me of your first point?

**Nick Johnston:** I was concerned about the position of postgraduate students, who may have to work, pay off a loan and study for their postgraduate degrees.

**Nicol Stephen:** I go back to the point that George Lyon and others made: individuals who took out a loan would still be asked to repay it at 9 per cent of their income once they were earning more than £10,000. When that idea was introduced, one might have expected heavy representations that it would act as a major disincentive. As we have heard, such representations were not made; indeed, the new income-contingent scheme was welcomed. Fergus Ewing pressed me on the threshold figure, and I have said that the potential to review it exists.

**Ms Margo MacDonald (Lothians) (SNP):** We keep coming back to the threshold.

**Nicol Stephen:** We do.

**Ms MacDonald:** What advantages are there to our education system being so wedded to that south of the border? That is what is driving the argument to maintain the £10,000 threshold. You have said that you think that the threshold should be higher, but you have to wait until you hear what your counterpart in the Department for Education and Employment says. What is the advantage of sticking to that system, rather than doing what some of our witnesses have said would be preferable—having our own system?

**Nicol Stephen:** The income-contingent scheme for student loans is making use of Inland Revenue for the first time. The scheme had to be set up in a way that gave Inland Revenue the power to collect repayments. The act of Parliament that allowed that was passed by the House of Commons in 1998, as I recall. Matters to do with Inland Revenue are reserved.

**Ms MacDonald:** I know; but you are saying that that is a good idea and I am saying that it is not. As far as I am concerned, that is another reason for considering disentangling the two systems.

We agreed with all the witnesses from whom we took evidence that we could operate an endowment system in conjunction with a loan system better if we were able to vary the thresholds. That would take account of Nick Johnston's example of postgraduate students who must take a job while they work out whether they can afford to continue studying.

No one has managed to prove to me that we have benefited greatly in Scotland because we got more money for individual students out of the system or because the system is a much more effective and efficient way of operating student finance.

**Nicol Stephen:** This is about making a balanced judgment. We are introducing extra funding and increasing the percentage of students who will have less debt and, in the areas in which we have devolved powers, our proposals are a significant improvement on the current system.

**Ms MacDonald:** The current system is not very good.

**Nicol Stephen:** The current system has led to a dramatic increase in the number of students who enter higher education. I suppose that the simple question to ask is whether we want about 50 per cent of Scotland's young people to enter higher education. That, together with new funding arrangements, is the present position. Alternatively, do we want a far lower percentage—an elite, if you like—of young people to enter higher education, and the reintroduction of the funding arrangements that were in place 20 years ago?

We are where we are; we started with the position that we inherited when the Scottish Parliament was created. We can be proud of the number of young people who are entering higher education in Scotland, although we cannot be complacent and we must encourage the expansion of higher education. I said that that should be done not only to assist young people by ensuring that they earn more money and have better job prospects, but because expanding higher education is vital for the future of Scotland's economy.

In my opinion, the proposed package, which includes £50 million of extra resources, will encourage more people to enter higher education and more young students to get degrees. In particular, it will encourage young people from disadvantaged backgrounds to enter higher education, which is a significant improvement. Indeed, the package has been broadly welcomed by the NUS, the Cubie committee and COSHEP. From the representations that those bodies made, it is clear that they think that the proposed system is a significant improvement on the current system.

**Ms MacDonald:** I do not disagree that the proposals are an improvement on the parameters of the current system. However, they are not as good as they could be.

**The Convener:** Was that a question, Margo?

**Ms MacDonald:** No—it was an observation.

**Mr McNeil:** The minister mentioned that there were some issues around part-time students. We took evidence that the proposals should apply to part-time students as well as to full-time students. What issues has the minister identified, and what is his thinking on those issues?

The proposals on council tax exemption have been broadly welcomed, but we need to hear the minister's ideas on how students will benefit practically from those proposals. Students are dubious about the principle: while it is right that they should be exempted, they do not know how they will benefit practically from the proposals.

**Nicol Stephen:** It is fair to say that the main thrust of the bill's proposals relates to full-time students. The arrangements for part-time students are different, but we recognised that there was a need for improvement of support for part-time students.

The general attitude is that, although most part-time students tend to have access to other sources of income, that is not the case for all. From this year, we introduced a £500 loan towards course costs, which is available to part-time students who have low incomes. The loan is not for tuition fees or living costs but for books and other costs.

In 1999, part-time students were given access to the disabled students allowance for the first time. They were also given access to university and college access funds, where support is based on the scheme that is operated by individual universities. There have been improvements and we would like to make more, but doing so will depend significantly on the resources that become available. When the bill is passed, distance learners as well as part-time students will also get access to those benefits for the first time.

The proposed council tax changes have been widely welcomed as an improvement on the current situation. Duncan McNeil's concern relates to the possibility that, where students live with an individual who is not a student, that individual might seek to recoup from other students some of the 75 per cent of the council tax charge that he or she must pay. The joint and several liability that rested previously with students in such situations is being removed. That is a significant step forward that will be widely welcomed by students.

11:15

**Mr McNeil:** Do you agree with the students' view that that is a dubious benefit, given that they are expected to contribute to the overall cost for the household? Is that something that could be reconsidered?

**Nicol Stephen:** Discussions with the Local Government Committee showed that the alternatives would have a significant cost impact on local authorities. Such alternatives were considered but were ruled out, partly for those reasons and partly for other reasons. I can bring in Frank Duffy to talk in more detail about those issues, but I still believe that the proposal is better than the current situation, in which legal liability rests with individual students.

**Marilyn Livingstone:** When representatives from the NUS gave evidence to the committee, they said that they would have preferred a discount voucher scheme for council tax, rather than exemption from it. They felt that discount vouchers would help students to pay their way, rather than feeling responsible for the household bill.

**Nicol Stephen:** There could be problems with such a scheme. I am sure that we shall return to the matter as the bill progresses, but I shall consider all the options thoroughly.

**Frank Duffy (Scottish Executive Enterprise and Lifelong Learning Department):** We saw the NUS proposal for a discount scheme last week, just before the NUS witnesses came to the Local Government Committee. We have since had a chance to examine the proposal in more detail, but our view has not changed much from our initial reaction. The NUS suggests that, where students live with non-students, the total bill should be apportioned between everyone who occupies the dwelling. The proposal gives an example of a £1,500 council tax bill for a dwelling that is shared by five people, four of whom are students and one of whom is a non-student, with the non-student paying a £300 council tax bill.

We take the view that that is not a property tax. That would lead to a situation in which there would be discrimination against non-students, because it would be advantageous to spread the bill by having as many students in a property as possible. We also think that it would be administratively difficult for councils to adopt that scheme simply because, when students move in or out of accommodation, the non-student's apportionment would change, possibly month by month. Councils would not be able to handle that: it would have revenue consequences, because the council tax bill for the dwelling would change.

Lastly, such a scheme would be contrary to the Executive's policy of removing liability from students altogether. Under the NUS proposal, students would continue to be jointly and severally liable for that bill.

**The Convener:** We will receive a report from the Local Government Committee when we consider the bill formally.

I seek clarification on a change that you

indicated would be made to the draft in respect of ring-fencing the endowment income for student support. How would the minister define student support? COSHEP said that it thinks that student support has a wide definition that includes contributing towards the capital charges on student accommodation. However, does not that defy the principle that student support should be direct support to the student rather than additional support to the institutions?

**Nicol Stephen:** Section 2(2) of the new draft contains a definition of student support—earlier, I read out section 2(1). Two definitions are contained in section 2(2). The first is to do with budget proposals, but the second defines student support as:

“the provision of

(a) allowances for living costs and

(b) loans under section 73(f)(i) of the Education (Scotland) Act 1980 (c44).”

We are defining student support narrowly to mean “allowances for living costs”—the new bursaries that we are introducing—and student loans.

**The Convener:** I take it that money will not be recycled into replacing budgets for mainstream funding for institutions.

**Nicol Stephen:** Ministers will not be able to propose that. There is a requirement for Scottish ministers to provide that the income that arises from the graduate endowment for the financial year to which the proposals relate should be used for student support. Ministers must also, when making budget proposals to Parliament—Parliament has the authority to approve budget proposals—allocate the income to student support, which is defined narrowly as being either grants or loans.

**The Convener:** The Cubie report recommended that the repayment threshold should be £25,000 and the repayment contribution level should be £3,000. Now, the threshold that is proposed is £10,000 and the repayment contribution level that is proposed is £2,000. What would be the revenue implications over the first four years of operation of making the repayment contribution level £3,000? If that additional revenue—about a 50 per cent increase—were used to increase the threshold, by how much would it be possible to do that?

**Nicol Stephen:** For reasons that I hope to be able to explain thoroughly, I will not be able to give as straightforward an answer to that as members might want. I ask the officials who are with me to chip in if I go wrong while I answer.

Alex Neil is right—the Cubie committee proposed a £25,000 threshold with a 2 per cent payment over that limit. However, it has never been clear how that graduate payment would be

scored as far as public finances were concerned. We do not know how much money would be raised under the Cubie proposals or what the recommended payment of £3,000 would convert into. We have not yet been able to work that figure out because there is no evidence on the number of graduates who earn more than £25,000 and therefore the number who would be able to make the 2 per cent payment.

Furthermore, we do not know how we will be allowed to score that income, as there will be quite a delay before some graduates started to earn £25,000. As a result, the issue is not only about how many graduates earn £25,000; it is also about the stage in their careers at which they begin to earn that amount. It is difficult to have a base figure in that respect.

With our proposals, we could increase or decrease the £2,000 payment—indeed, we could increase that figure to the £3,000 that the Cubie committee recommended. If we did so, we would be allowed to score 50 per cent more income in the public accounts. As for what we could do with the threshold if that happened—on which it is most difficult to give the committee an answer—we would have to consider the issue in the context of a totally new scheme. An increase in the threshold would mean moving away from the income-contingent scheme and, I presume, introducing a mortgage-style scheme under the old system using the Student Loans Company.

Such a scheme would be different from the Inland Revenue based scheme and would incur costs that we would have to set against the extra income. Those costs would not only include significant administrative and bureaucratic costs; there would also be a leakage of income, because it would be very difficult to keep track of all these people and what they earn. Although, as the mortgage-style scheme has demonstrated, it would be possible to do so, there would still be leakage and loss of funding. Finally, the income that we would be allowed to score in the public finances would have to be negotiated or agreed because the amount would be less certain than it would under the income-contingent scheme.

**The Convener:** If the repayment threshold was raised to £25,000, as the Cubie committee recommended, why would it not be possible for the Inland Revenue to administer an income-contingent scheme for the graduate endowment?

**Nicol Stephen:** The legislation that allows the Inland Revenue to operate the current income-contingent scheme applies to student loans, but not to graduate endowments. However, we are able to use that legislation because we are converting the graduate endowment into a student loan. It would be ultra vires for the Inland Revenue to operate, on behalf of the Scottish Executive, a

separate graduate endowment scheme that had a separate threshold. That would then be imposed on businesses, because the scheme works through businesses. There would need to be a separate assessment not only for students in Scotland but for Scottish students in the rest of the UK, wherever they end up working as graduates. As a result, we would need to have a coding for those who came under the student loans scheme and a separate code, calculation and bureaucratic burden on business for the Scottish graduate endowment scheme. As I said, from the advice that I have received, I believe that the Inland Revenue does not have the power to introduce a separate scheme on behalf of the Executive.

**The Convener:** I presume that if there was a political desire for such a scheme, legislation could be introduced—albeit at Westminster—to give the Inland Revenue that power.

**Nicol Stephen:** Westminster clearly has power over the Inland Revenue.

11:30

**The Convener:** Has any detailed work been done on the cost of collection if a separate system was to be set up in Scotland? We are told that the cost of collection is a major reason why that threshold has been set at the same threshold as the income-contingent loan scheme. Has costing been undertaken for setting up another administrative scheme to collect the money?

**Nicol Stephen:** I hope that I have set the issue of the cost in a wider context. The matter is not only about the cost of collection and bureaucracy. A cost may also arise because collection would be less certain. We would not be able to score as much in the public accounts because of the difficulty in identifying student incomes and collecting repayments from students in different parts of the UK. The committee has shown an interest in the costs. I will be more certain on that matter in due course but, based on advice that was given to the Executive, the indication is that the cost of setting up and running the bureaucracy would be at least £1 million or, potentially, more.

**The Convener:** Per year?

**Nicol Stephen:** Yes.

**The Convener:** What percentage of the total turnover of the endowment would that amount to by year 10?

**Nicol Stephen:** It would amount to less than 10 per cent.

**The Convener:** Do you think that it would be between 0 per cent and 5 per cent, or between 5 per cent and 10 per cent?

**Nicol Stephen:** It would be just under 10 per



cent. It would not be as much as 10 per cent, but it would be close to it. I intend to get additional information because of the committee's interest in the issue—no doubt the committee will also seek further additional information. I hope to be more exact on the matter, but it is not the key issue in recommending that we do not introduce a separate scheme. However, costs of such a level per year are significant.

**George Lyon:** I will address another point that came up in evidence. During consultation, I assume that the Executive consulted on whether students who are in the system should have access to the new bursary or grant. Did you consult on that? What feedback did you get? What are you recommending on that issue?

**Nicol Stephen:** I have already covered that point. The Executive considered that matter and no strong representations were made. We decided therefore, owing to technical complexity and because we would have had to take a view on whether such individuals would have to pay a proportion of the endowment, that it would be cleaner and simpler to introduce the new scheme for new students in 2001. That appeared to be accepted and it is the basis of the current proposals.

**Elaine Thomson:** The minister talked about the difficulties of the previous mortgage-style scheme, such as leakages and difficulties in collection. Are there hard statistics on the scale of those difficulties? It would have been of benefit to have a clear and simplified system, rather than having two sums to repay, one of which might suddenly kick in 10 or 15 years after students completed their education.

**Nicol Stephen:** There will certainly be statistics on that, which we can make available to the committee, but we do not have them with us today. As Elaine Thomson says, the scheme operated for a number of years—details will be available.

**The Convener:** That brings us to the end of the evidence session. I thank the minister and his officials for being informative and co-operative. I do not believe that the minister knows this officially, but his return to the committee is pencilled in for 12 December, presuming that the Presiding Officer has by then passed the draft bill for formal consideration.

**Nicol Stephen:** Thank you very much. I look forward to that.

**The Convener:** We will have a short break before the next item.

11:34

*Meeting adjourned.*

11:48

*On resuming—*

**The Convener:** I welcome Elaine Murray to the meeting. Margo MacDonald has to leave at 12.15, so I hope that we will have got through most of the agenda by then.

## Subordinate Legislation

**The Convener:** The next item is subordinate legislation. The committee has to consider the draft Scotland Act 1998 (Modifications of Schedule 5) Order 2000. Simon Watkins will introduce this subject and then we will hear from our guests.

**Simon Watkins:** This statutory instrument is a modification to schedule 5 to the Scotland Act 1998, which sets out the areas that are excluded from consideration by the Scottish Parliament. It is the first such order to come before the Parliament. The Transport and the Environment Committee is the lead committee, but we have been asked to comment on those elements that fall within the remit of this committee, which relate largely to the changed status of the Post Office, but also to product standards.

**The Convener:** I welcome Colin Miller and Alisdair Meldrum to the committee. Colin is the branch head of constitutional policy in the Executive secretariat and Alisdair is head of business environment and consumer affairs.

**Colin Miller (Scottish Executive Secretariat):** If it would be helpful, I will spend two or three minutes explaining the purpose of the entries that are of interest to the committee.

As the clerk said, schedule 5 sets out the matters that are reserved for the purposes of the Scotland Act 1998 and section 30 provides a mechanism that enables schedule 5 to be amended by order in council, subject to the approval of both Parliaments. That allows the boundaries of the Scottish Parliament's legislative competence to be adjusted, either by removing existing reservations in whole or in part, or by adding new ones.

The two aspects of the order that may be of particular interest to the committee are those entries relating to postal services and product standards. Under the Postal Services Act 2000, the Post Office is being abolished as a statutory corporation and its assets and liabilities are being transferred to a public limited company, nominated by the secretary of state and wholly owned by the Government. The act also removes the Post Office's monopoly and establishes a new body, the Postal Services Commission, to act as a regulator. The order accordingly amends the reservation of Post Office and postal services,

which can be found at section C11 of part II of schedule 5, to include the subject matter of the Postal Services Act 2000. It also preserves the existing position, which is that the Scottish Parliament could legislate, if it so wished, to provide financial assistance for the provision of non-postal services from public post offices. Therefore, the amendments do not represent any change of policy in relation to the reservation of postal and related services, but merely bring the existing entry up to date to reflect the changes that have been made by the Postal Services Act 2000.

On product standards, the sole body that is recognised by the Government for the accreditation of conformity assessment bodies in the UK is the United Kingdom Accreditation Service. It is particularly important that conformity assessment bodies are accredited by a recognised national accreditation body, so that their work can be recognised by European and other international partners. Accordingly, the order extends the reservation at section C8 of part II of schedule 5, on product standards, safety and liability, to include accreditation in support of trade carried out under European Community law and trade matters that are related to competition. That extension recognises that, for UK businesses to gain the best competitive advantage, accreditation should be carried out by the sole recognised national body, in line with European and international practice.

I hope that that brief explanation will be helpful. We will be happy to answer any questions.

**The Convener:** Does Alisdair Meldrum have anything to add?

**Alisdair Meldrum (Scottish Executive Enterprise and Lifelong Learning Department):** Not at this stage.

**The Convener:** Do members wish to ask any questions or make any comments?

**Miss Goldie:** The order is very good.

**Ms MacDonald:** You are doing a grand job, we feel.

**Alisdair Meldrum:** Thank you.

**Ms MacDonald:** Members know the sort of Post Office that I would like, but I realise that that is not covered by the schedule.

**Fergus Ewing:** I see that the exception to the reservation will allow the Scottish Parliament to have the devolved competence to deal with financial assistance for the provision of services other than postal services and services relating to postal and money orders. Is it correct to say that the Post Office does not currently have the legal competence to provide those services?

**Alisdair Meldrum:** Sorry, are you asking about

the Post Office's competence to provide those services?

**Fergus Ewing:** The question is not meant to be legalistic—I do not know the answer—but is it the case that the Post Office has legal restrictions as to what services other than postal services it can provide, for example financial and banking services? Is not one of the ideas of the Postal Services Act 2000 to liberalise and to widen the range of service on offer?

**Alisdair Meldrum:** Indeed, yes. The idea behind the act is to give the Post Office more scope for activity.

**Fergus Ewing:** It just seems that if it is our duty to provide financial assistance towards the services—

**Alisdair Meldrum:** We would not have a duty.

**Fergus Ewing:** We would have a legal capacity, which may be interpreted by some people as a duty. In any event, there will be financial implications, which will have to be met from the existing budget. Can you describe how the Executive views those financial implications?

**Colin Miller:** The exception in the order simply preserves the existing position, which is that the Scottish Parliament is—and has always been—able to fund non-postal services, within the limits on the Parliament's powers, to provide financial assistance. That is contained in the Scotland Act 1998. The purpose of the exception to the reservation is to preserve the status quo, not to extend the reservation further.

**Fergus Ewing:** I have a particular reason to ask. Some people say that sub-post offices in rural parts of Scotland might usefully have a future in combining with a garage, for example, to allow the continuance of a sub-post office with a local shop and garage in an area that could otherwise not support such a facility. France has a co-operative system along those lines. If petrol is being provided at the same site, would the Scottish Parliament have the legal capacity to fund such a subsidy scheme? Given that excise duty and VAT are involved, would such matters remain partly devolved and partly reserved?

**Alisdair Meldrum:** Our colleagues in the Scottish Executive rural affairs department are assessing carefully the provision of postal services in rural areas.

**Mr John Home Robertson (East Lothian) (Lab):** I am glad to hear it at last.

**Alisdair Meldrum:** The delivery of postal services is being considered as part of a study into innovative ways of providing services in rural areas, in line with the sort of ideas that Mr Ewing

was mentioning—

**Fergus Ewing:** With a bit of help from John Home Robertson, my prompter from behind.

Has the Executive earmarked any money for the financial assistance? If so, from which departmental budget?

**Colin Miller:** No moneys have been earmarked for the purpose. As Alisdair Meldrum mentioned, the Parliament has a power, not a duty, to legislate. The Parliament has legislative competence to fund non-postal services. If there were any proposals for legislation to do that, they would require financial provision, but the order itself does not involve any direct financial consequences.

**Mr McNeil:** We are dealing mainly with the technical aspects, but the bottom line is that the Scottish Executive should have more powers to subsidise rural post offices. Does the order give it more power to do that?

**Alisdair Meldrum:** The order makes no difference to our powers—it maintains the status quo.

**Mr McNeil:** Is there a greater flexibility for the Executive to intervene?

**Alisdair Meldrum:** The order makes no difference to our powers.

**Colin Miller:** It simply preserves the existing flexibility.

**Mr McNeil:** What is the existing flexibility?

**Colin Miller:** To provide financial assistance for non-postal services.

**Mr Home Robertson:** I am truly delighted to hear Mr Meldrum's statement that progress is being made in this area. He will recall that there was a lot of institutional resistance to the Executive rural affairs department—or any other department—getting involved in developing Post Office Counters services. He has indicated that there is progress at last.

**Alisdair Meldrum:** I hope so.

**Mr Home Robertson:** So do I—I will keep an eye on it.

My second point is based on some local knowledge—from where I live, rather than from my constituency. You may be aware that the Post Office does not recognise the border between Scotland and England, so there are various postcode areas that straddle the border. That is relevant to postal deliveries, which we are not discussing. However—and I dare say that this applies also to Elaine Murray's constituency—a small number of sub-post offices are administered from south of the border, and probably vice versa.

That will have to be tidied up if the Scottish Executive intends to run any initiatives for the benefit of Scotland.

12:00

**The Convener:** Do you want to comment on that?

**Alisdair Meldrum:** No.

**Miss Goldie:** This is a question borne out of curiosity, rather than out of any technical interest in the provisions. Pesticides, transport executives and product standards would not have been uppermost in my mind, although perhaps they should have been. What has determined the selection of these topics for inclusion within the modifications of schedule 5 to the Scotland Act 1998? Are there other areas of activity that we ought to be examining, in the context of what amounts to a slight extension of our devolved powers, and coming to a coherent view on?

**Colin Miller:** In effect, the order is a compendium. Miss Goldie is right to say that there is no link between the subjects with which it deals. The order amends schedule 5 and, therefore, the Parliament's legislative competence. Our thinking was that we should not bring ad hoc orders before the Parliament to deal with specific issues. Unless there are cases of greater urgency, we will group a number of things together, so that the Parliament can deal with them as a whole. We hope that section 30 orders will not be a very regular occurrence, because they amend a critical area of the Scotland Act 1998. As a consequence, any section 30 order is likely to deal with a number of disparate matters.

In this order, we have brought together two slightly different aspects of transport policy. The other provisions are bits and pieces that have been waiting for a suitable vehicle to deal with them.

**Mr Home Robertson:** I do not think that I received an answer to the question that I asked earlier. As a consequence of what we are dealing with on post offices, would it not make sense for Post Office Counters—or whatever it is now called—to update its administrative arrangements to take account of the fact that there is a border?

**The Convener:** It is clear that the witnesses do not feel able to comment on that.

**Alisdair Meldrum:** I can undertake to raise the issue with the Department of Trade and Industry, which has responsibility for the general control of Post Office matters, which are reserved.

**Ms MacDonald:** The Post Office will no longer exist.

**The Convener:** This item is on the agenda to

enable us to comment to the lead committee. We could ask the lead committee to raise formally the issue that John Home Robertson has highlighted.

Given that it is 12.03 and that there is still a substantial amount of business on our agenda, I suggest that—unless someone is desperate to add something—we note the order with the comment that we have agreed.

**Members** *indicated agreement.*

## Lifelong Learning (Research)

**The Convener:** Item 3 is on the commissioning of research into lifelong learning.

**Simon Watkins:** There is a biannual process for committees to apply for support to undertake external research support. The next deadline for bids is 24 November, not 29 November as specified in the paper. I apologise for that error.

As the committee has considered doing work on lifelong learning—probably next year—it is proposed that we may want to undertake research similar to that which we undertook for the local economic development services inquiry last year and earlier this year. That research had to be done swiftly, because it was commissioned during the inquiry. The consideration is whether the committee would like to set in train that process now, so that we have results from that research activity when we are early on in our inquiry, rather than right at the end of it. This is not intended to foreshadow any decisions that the committee might want to take about the specifics of its future work programme, or indeed other areas of research that it might want Scottish Parliament information centre colleagues to do in advance of the proposed away day.

**Marilyn Livingstone:** You will not be surprised by my reply, convener. I think that we should certainly agree to that proposal. It is the right move. As we found out when conducting our previous inquiry, it is advantageous to have in-depth information timeously.

**Miss Goldie:** I have no problem with the proposal in principle, but can Simon Watkins reassure us that it will not prejudice a possible requirement to commission research on our inquiry into the impact of the new economy? I am now pretty hazy about where we have got to on that matter, but I do not know whether research needs were built into that programme.

**Simon Watkins:** Most of the research work that is undertaken for the committee is done internally by the SPICe researchers, who have produced material for us on the new economy. That can be organised relatively swiftly compared with external research, which requires a contracting process to be undertaken. The new proposal does not exclude us from any activity of that kind.

**Miss Goldie:** It might have an impact if we decide during our inquiry that we need to commission external research.

**Simon Watkins:** Not necessarily. The expectation is that we would want to commission other pieces of research internally.

**Miss Goldie:** I have no problem with that, but I do not want to prejudice our existing flexibility in relation to an on-going and unconcluded inquiry.

**The Convener:** I do not think that agreeing to the proposal would prejudice that flexibility. The other options would still be open to us, which is especially important with regard to the time scale for completing our inquiry into the new economy.

**Nick Johnston:** Can Simon Watkins elucidate who would be invited to tender to provide that information? Do we have any influence on the sort of people who might be asked to do the mapping exercise? I am hinting that there may be a little bit of navel gazing by the educational establishments, rather than a wider-ranging umbrella view or helicopter view.

**Simon Watkins:** I would probably want to consult colleagues from SPICe about the detailed arrangements. There is generally an open contracting process, in which people are asked to bid; a panel, which may or may not include a committee member, considers the contracts. That would be some way down the road yet, and we would have time to give you more information about the full arrangements, if you want it.

**Nick Johnston:** In agreeing to commission that work, would it be appropriate for the committee to discuss whom we would like to carry out the mapping exercise?

**Simon Watkins:** That would certainly be possible.

**Fergus Ewing:** I have a comment on the remit of the research that is to be commissioned, assuming that agreement is obtained from the appropriate bodies. Can it be agreed that that research should be conducted from the perspective of the student? Could it also consider the problem that Nicol Stephen and Sir Stewart Sutherland have both acknowledged—the extent to which people in rural Scotland are at a disadvantage in some cases? Could that be specifically incorporated into the remit of the research?

**Marilyn Livingstone:** I am not saying that the remit should not cover rural aspects, but we would want to approve the entire research remit.

**Fergus Ewing:** I am not suggesting that we would not want to do that, but I am asking specifically for a rural aspect to be incorporated.

**The Convener:** It is already after 12 o'clock and we must wind up this part of the meeting. I ask members to agree in principle to the recommendation. At our next meeting, we can go into more detail about the remit and supervision. Will that give us enough time, Simon?

**Simon Watkins:** Yes. I propose to distribute

details of the intended remit to members as soon as possible.

**The Convener:** Doing that on 6 December will give us enough time to do that. Do members agree to that proposal?

**Ms MacDonald:** Does mapping mean provision, take-up and drop-out? Are those three elements included? If they are not, I suggest that they should be.

**Simon Watkins:** The mapping exercise is intended as a parallel to what was undertaken in the local economic services inquiry, which studied the pattern of current arrangements. It is the starting point of the inquiry, covering what exists at the moment and who does what.

**Ms MacDonald:** I want to know about take-up and drop-out.

**The Convener:** I am sure that we can take a note of that and build it in to our requirements. In order to expedite this matter, I suggest that Marilyn Livingstone and I take responsibility for bringing back to the committee a paper that addresses all the issues that have been raised. Is that agreed?

**Members indicated agreement.**

12:10

*Meeting continued in private until 12:47.*



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