

# **ENTERPRISE AND LIFELONG LEARNING COMMITTEE**

Wednesday 3 October 2001  
*(Morning)*

Session 1

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# CONTENTS

Wednesday 3 October 2001

Col.

ITEM IN PRIVATE.....	1959
BUDGET PROCESS 2002-03.....	1960
STUDENT AWARDS AGENCY FOR SCOTLAND .....	1979
SUBORDINATE LEGISLATION.....	1984
LIFELONG LEARNING INQUIRY.....	1985

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## ENTERPRISE AND LIFELONG LEARNING COMMITTEE

### † 23<sup>rd</sup> Meeting 2001, Session 1

#### CONVENER

\*Alex Neil (Central Scotland) (SNP)

#### DEPUTY CONVENER

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

#### COMMITTEE MEMBERS

Bill Butler (Glasgow Anniesland) (Lab)

\*Mr Duncan Hamilton (Highlands and Islands) (SNP)

\*Marilyn Livingstone (Kirkcaldy) (Lab)

Mr Kenny MacAskill (Lothians) (SNP)

\*Mr Kenneth Macintosh (Eastwood) (Lab)

Des McNulty (Clydebank and Milngavie) (Lab)

\*David Mundell (South of Scotland) (Con)

\*Tavish Scott (Shetland) (LD)

\*Elaine Thomson (Aberdeen North) (Lab)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Douglas Baird (Scottish Executive Enterprise and Lifelong Learning Department)

David Seers (Scottish Executive Enterprise and Lifelong Learning Department)

Ed Weepie (Scottish Executive Enterprise and Lifelong Learning Department)

David Wilson (Scottish Executive Enterprise and Lifelong Learning Department)

#### WITNESSES

Professor John Fairley (University of Strathclyde)

Norma Hurley (Blake Stevenson)

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

David Stephen (Student Awards Agency for Scotland)

John Watt (Student Awards Agency for Scotland)

#### CLERK TO THE COMMITTEE

Simon Watkins

#### SENIOR ASSISTANT CLERK

Judith Evans

#### ASSISTANT CLERK

Linda Orton

#### LOCATION

The Hub

† 22<sup>nd</sup> Meeting 2001, Session 1—held in private.



## Scottish Parliament

### Enterprise and Lifelong Learning Committee

*Wednesday 3 October 2001*

*(Morning)*

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

### Item in Private

**The Convener (Alex Neil):** Good morning and welcome to the 23<sup>rd</sup> meeting in 2001 of the Enterprise and Lifelong Learning Committee.

Item 1 on the agenda is a proposal that the committee considers item 6 in private. Do members agree to do that?

**Members** *indicated agreement.*

## Budget Process 2002-03

**The Convener:** Item 2 is the budget process. I welcome the Deputy Minister for Enterprise and Lifelong Learning and Gaelic, Alasdair Morrison, and his officials. I will let the minister introduce the officials.

I begin by pointing out to committee members that the Scottish Executive enterprise and lifelong learning department is the only department so far to have responded on time in giving its comments on the budget. We congratulate the department on that before we give its representatives a real grilling on their response.

I invite Alasdair Morrison to make introductory remarks.

**The Deputy Minister for Enterprise and Lifelong Learning and Gaelic (Mr Alasdair Morrison):** I thought you were going to begin by congratulating the ministers, but you have congratulated the department and the officials.

**The Convener:** I congratulate ministers and officials.

**Mr Morrison:** I will begin by introducing the officials. Sitting on my right is Ed Weeple, who is head of the lifelong learning group. On his right is David Stephen, the chief executive of the Student Awards Agency for Scotland. On my left is Douglas Baird, the leader of the enterprise and lifelong learning finance team. On his left is David Wilson, who is head of the enterprise networks and tourism division. I am sure that three of those individuals are well known to the committee by now.

I shall confine my remarks to the changes that have been made to the enterprise and lifelong learning chapter of the draft budget for 2002-03 since it was published earlier this year as part of the annual expenditure report.

The spending plans for 2001-02 have reduced in strictly numerical terms by £50.9 million. However, as the committee may recall, the plans in the annual expenditure report included a resource provision of £56.8 million to allow for estimated bad debts in relation to student loans. That was an overprovision and has now been removed from the tables—that gives a saving of £10 million, which will also apply next year and in 2003-04. The allocation has been given up as a result of a review of the collection of student loans, which indicated a better collection rate. I emphasise that the saving will have absolutely no impact on the value of support offered to individual students or the terms under which loans are given.

At the same time, our budget for 2001-02 has been increased by £15.9 million. The bulk of

that—£11.9 million—has been made available to visitScotland to enable it to address the impact of foot-and-mouth disease on the Scottish tourism industry. On March 28, £5 million of that was announced as part of the emergency relief package. The balance of £6.9 million was announced at the beginning of August.

Of the remaining increases, £3 million will enable funding for child care grants to be made to around 3,500 students in higher education and between 3,000 and 5,000 students in further education. In addition, £1 million has been provided this year and next for the development of a proposal for a Scottish film studio.

In 2002-03, in addition to the adjustments that I have already mentioned—resulting from the resource cost of student loans, child care funding and the film studio—a further £7 million is being released from our provision for departmental investment assistance. That is a result of projects progressing more slowly, being scaled down or not proceeding at all. The net effect of those adjustments is a reduction in our budget of £13 million.

In 2003-04 the total savings from student loans and investment assistance will amount to £20 million. That is offset by £3 million of child care funding, resulting in a net reduction of £17 million.

Elsewhere in the draft budget we have revised and updated some of our budget lines to take account of better estimates that we now have to hand and to do away with most of the financial adjustment footnotes that appeared beside a number of tables in our chapter at stage 1 of the process earlier this year.

I should make it clear that the draft budget excludes the allocation of end-year flexibility for this year, which the Minister for Finance and Local Government, Angus MacKay, announced on 19 September. The committee will be well aware that the department will continue to monitor its individual budget allocations for the remainder of the year to be able to respond as best it can to any new priorities or pressures that may arise.

As a courtesy to the committee, it is appropriate to inform members that around lunch time today my colleague Wendy Alexander will make available a multimillion-pound package to the further education sector.

That is all I wish to say at this stage, but my colleagues and I will do our best to answer any questions that members have on the draft budget for 2002-03.

**The Convener:** Regarding the announcement to be made later this morning, when you talk about a multimillion-pound package, what is the definition of multimillion? Is it new money and is it directed

specifically at capital or revenue spend in the further education sector?

Last year during the budget process, we asked whether we could see the previous year's outcome expenditure for 2001-02 and not just the previous year's plan, but we still have only the plan. When we consider the budget for the period ahead, it makes sense to have the numbers from the previous year, so we know what to base current figures on.

The two budget headings "Growing Business" and "Global Connections" could mean anything. Is it possible to have a breakdown of what they mean? What is the breakdown of the £159 million planned for last year and the £100 million planned for next year to be spent on growing businesses? What was it spent on and how much of that money ended up being spent on businesses as opposed to entering consultants' pockets?

The target for modern apprenticeships is 20,000. Is that the target for recruitment or for the number of people achieving and completing modern apprenticeships? Does the figure take account of the drop-out rate or does it relate to intake?

**Mr Morrison:** I will endeavour to respond to some of the points that you raised. I will pass over to colleagues to explain the detail.

Wendy Alexander's announcement is of a multimillion-pound package. As I said at the outset, I told the committee that the announcement was being made today as a courtesy.

The money will be a mix of capital and revenue. The money has been found from within existing provision and is partly from end-of-year flexibility. I do not want to steal the minister's thunder as far as the sum is concerned and I am sure that the committee would not want that either. Multimillion means more than one or two millions, but I am not sure of the exact definition of "multi".

The convener talked about how we gave members information about the budget process last year. The committee will concede that we have tried to improve the way in which we give information to the committee and that we try to co-operate and respond as quickly as possible to any reasonable request for additional information or for a change in the way we do business. I am happy to revisit the way in which we do that, both in formal discussion with the committee and in informal discussion with the convener.

On the breakdown of various moneys that the convener requested, it would be sensible to pass over to David Wilson, who should be in a position to give us an indication.

**David Wilson (Scottish Executive Enterprise and Lifelong Learning Department):** In the

Scottish Enterprise budget, we have included the same categories as were set out in the document "A Smart, Successful Scotland", which was published at the beginning of the year. The heading "Growing Business" covers matters such as advice to businesses through the small business gateway and commercialisation activities such as the proof of concept funding. It covers direct support to businesses and, to some extent, indirect support through universities, spin-outs and the like.

There are four areas under the heading "Global Connections", which covers the activities of Scottish Trade International, Locate in Scotland and the digital initiatives to promote e-commerce.

The draft budget document is about overall strategic spending. Comprehensive details of Scottish Enterprise's future spending on individual programmes is set out in the same format as in "A Smart, Successful Scotland" in Scottish Enterprise's operating plan, which was published a couple of months ago. That provides a more detailed breakdown under each heading. I do not have the document with me, but we can make it available to the committee if members do not already have it.

**The Convener:** Presumably, there have been changes since that document was published. It would be useful to get the up-to-date figures if possible.

10:15

**David Wilson:** I will contact Scottish Enterprise and get that information. I do not think that the figures will have changed significantly. Inevitably, however, there will be some changes at the margin in the course of the year, as there is with our budget.

**Mr Morrison:** The convener asked when the draft budget for last year will be finalised. The accounts for draft spend last year are currently being examined by the Auditor General for Scotland and should be finalised and available shortly. On the detail of the modern apprenticeships, it would be sensible to invite Ed Weeple to inform the committee.

**Ed Weeple (Scottish Executive Enterprise and Lifelong Learning Department):** The number of modern apprenticeships refers to the number of people in training. There are currently 15,000 people in training on modern apprenticeships every year in the Scottish Enterprise area and 1,500 in the Highlands and Islands Enterprise area. There are 16,500 people in training at present; the aim is to increase that number to 20,000 a year by 2003.

**The Convener:** Do you also have specific

targets for achievements?

**Ed Weeple:** There are specific targets for achievements. The targets this year are 17,500 for Scottish Enterprise and 1,500 for Highlands and Islands Enterprise, but we are only part of the way through the year and the numbers should rise.

**Elaine Thomson (Aberdeen North) (Lab):** The committee has previously considered how the numbers break down in terms of gender. What proportion of modern apprenticeships are taken up by women?

**Ed Weeple:** I do not have the figures with me, although we can provide them. In the past there has not been the take-up by women that we would have wanted. One of our aims is to improve that.

**Elaine Thomson:** Might one of your targets be to encourage better take-up of modern apprenticeships by women?

**Ed Weeple:** That is indeed one of our targets.

**Miss Annabel Goldie (West of Scotland) (Con):** One thing that struck me about the presentation, is that there remains a mystery around what the enterprise and lifelong learning department costs to run. I know that there are historical reasons for that not featuring as an item in the budget presentation, but it seems a little unfair that the committee is busy posing questions—sometimes abrasive questions—about how various publicly funded agencies operate, what they are doing and whether they are any good at doing it, while the department manages to remain invisible in that respect.

Given the much more transparent form of governance that we now have in Scotland, is not it time that we had an indicator in the budget documents of what it costs to run the enterprise and lifelong learning department—even though that does not lie within this budgetary allocation? That would provide the committee with a comparator.

**Mr Morrison:** Annabel Goldie raises a question that some would describe as rather obvious. The department costs in the region of £10.9 million to run, although I use a broad brush. That is stated in the programme budget.

**Douglas Baird (Scottish Executive Enterprise and Lifelong Learning Department):** The information can be found in the budget documents that were published in January—not in the documents that members have before them.

**Miss Goldie:** On the Scottish Enterprise network budget, there is concern that, yet again, the administration figure is an unusually high percentage of the total budget. Why does the administration figure follow a plateau-like pattern? Surely Scottish Enterprise, in the course of its

radical reappraisal, should be implementing significant savings in administration? Should there not be more evidence of that in the budgetary allocation?

**Mr Morrison:** Annabel Goldie has raised that question on a number of occasions. She will be aware that there has been a realignment of staffing arrangements within Scottish Enterprise. It takes a while—perhaps a year or two, or, in some instances, three years—before such realignment yields savings in pounds and pence.

David Wilson may be able to assist the committee with the details of Scottish Enterprise's funding and administrative costs.

**David Wilson:** We have discussed the issue before, so we are aware of the committee's concerns. At the committee's meeting on either 15 May or 24 April—both of which I attended with Douglas Baird—I mentioned the review that we are conducting of Scottish Enterprise's running costs. We are working closely with Scottish Enterprise on that. Significant spend is required to achieve the transformation of the organisation. I believe that that transformation is widely supported and that it will yield some savings, but it is unclear when those savings will be seen. We are assessing the situation in the context of the overall controls that we have over Scottish Enterprise's running costs. I gave a commitment at a previous meeting to provide the committee with a report of the review. That report is not yet complete, but it is in hand.

**Mr Morrison:** Annabel Goldie has raised that issue previously, both in the committee and in other fora, and her point is not lost on the departmental ministers or our officials. It is also recognised within Scottish Enterprise, as Robert Crawford has demonstrated over the past year or so.

**Miss Goldie:** I am grateful to the minister and his colleagues for those comments, but my point is that the issue has been raised repeatedly. When the business community sees that percentage of the budget being allocated to administration of the enterprise network, its reaction is one of incredulity. I do not apologise for raising the point again, because it is important. I would like the minister to adopt a slightly more rapacious attitude to the allocation of budget, the point being that organisations should demonstrate savings or they will suffer budget loss.

**Mr Morrison:** It is not often that I am invited to demonstrate rapacity, but I will take Annabel Goldie's point on board on this occasion.

**Miss Goldie:** May I ask a final question?

**The Convener:** Of course. You deserve another one after that.

**Miss Goldie:** I refer to a point that I have raised previously in connection with the FE sector: the known position of outstanding repairs to and maintenance of much of the infrastructure and fabric of the sector. I note that capital is referred to in the budget allocation. The capital figure follows a fixed pattern over a period of years, but I am slightly unclear about that. I cannot get much more information from the document on whether that particular financial difficulty is being acknowledged. Am I correct to assume that the capital allocation on page 85 of the document is intended to address that difficulty, or is it intended to address something else?

**Mr Morrison:** In the committee's stage 1 report on the budget process, it recommended that the capital budget should be identified separately. The projected levels of capital expenditure of £21 million a year, plus last year's one-off allocation of £10 million, mean that capital expenditure over 10 years will reach about £220 million. That sum approaches the level that the Scottish Further Education Funding Council indicated is required following a survey of the condition of its estate.

**Marilyn Livingstone (Kirkcaldy) (Lab):** My first question is on modern apprenticeships. On page 79 of the document, the Executive says that it will

"double the number of modern apprentices during this Parliament".

Will that target be flexible? For example, will it take Scottish Vocational Education Council level 3 qualifications into account or only modern apprenticeships? Anecdotal evidence suggests that many employers would prefer their employees to undertake a higher national certificate in accounting, rather than a modern apprenticeship. Will the minister take those preferences on board?

**Mr Morrison:** The ambition is to reach and, in some cases, beat the targets that are established. Flexibility is the name of the game. In some instances—for example, in the construction industry—we have demonstrated how age barriers for modern apprenticeships were dispensed with, for sound and proper reasons, to attract more people into the system. Ed Weeple may want to add more detail.

**Ed Weeple:** The modern apprenticeship target of 20,000 is a clear objective. Modern apprenticeships are designed with the help of the industrial sectors and the qualifications are built round that. Over and above the modern apprenticeships, there are vocational qualifications at level 3—higher national certificates and higher national diplomas. As we know, Scotland and the UK tend to be rather weak in level 2 and 3 qualifications. The modern apprenticeship was designed for a specific purpose, which is highlighted in the programme for government and



remains the target.

**Marilyn Livingstone:** I think that you are aware of the point that I am making. If we had some sort of pooled targets, and if young people on the skillseekers programme were offered more choice and flexibility, that would help us to meet the targets. It would also give people a choice. However, I shall leave that point; I make it at every meeting.

I also want to ask about the delivery of 100,000 individual learning accounts by 2002. The committee is aware of changing patterns in further and higher education and of the need to support people through part-time education and training. Do you have a breakdown of how many new people are attracted into education and training with individual learning accounts? In other words, how many people are we getting from socially excluded backgrounds or who would not naturally come into training? Are we seeing people who would already have been in the market?

**Mr Morrison:** Around 170,000 individuals have already opened an ILA and more than 51,000 learning episodes have been undertaken so far. Ed Weeple can give a breakdown of where the people come from.

**Ed Weeple:** The original concept was that the individual learning account should be open, specifically to ensure that it became an accepted part of the education, training and learning infrastructure. There are issues around social exclusion. Some of the measures taken, particularly the discounted rates, are targeted specifically at those for whom learning is unfamiliar. In developing the concept of individual learning accounts, one of the important aims is to begin a process of targeting those people who require that kind of assistance. The original concept was specifically to have the accounts open at the beginning and to consider targeting as we move forward.

**Tavish Scott (Shetland) (LD):** I want to ask about the further education sector, but I also want to return to some of Annabel Goldie's queries, which opened up an interesting area. If I understand table 4.1 of the draft budget correctly, I estimate that around 95 per cent of the department's total spend is spent on non-departmental public bodies. David Wilson said in response to Annabel Goldie's question that the Executive has controls over Scottish Enterprise's running costs, but I would like to understand the process by which the Executive monitors that 95 per cent spend. Annual grants or funding relationships are passed to those organisations, which are then presumably told to get on with it, under their strategic and operational requirements. Are the officials saying that there is a weekly, monthly or annual process that keeps control over

those running costs?

**Mr Morrison:** In fairness to David Wilson, I shall allow him to elaborate on that point.

10:30

**David Wilson:** I may have misled you slightly, so please allow me to draw a distinction. We have formal controls over the running costs of Scottish Enterprise—staff and administration costs, building costs and the like. That is standard in all NDPBs. A process is used whereby the department and the NDPB agree on the NDPB's running costs. Similar procedures are adopted in all NDPBs.

Enterprise networks and visitscotland fall within my responsibilities. How they spend their programme funds—the money that they spend on supporting businesses, marketing and whatever else they do—is a separate issue. We are keen for the department to set the overall direction and provide high-level targets and ambitions for the enterprise networks and visitscotland, but to leave the bodies a significant degree of operational flexibility in the delivery of those targets.

The relationship is not one in which the department scrutinises or second-guesses every decision that is made by the NDPB concerned. That would be impractical and would undermine the responsibility and role of the NDPB. A relationship exists; it involves the department setting the overall direction. I am happy to answer more questions on that, but I will pass to Ed Weeple, because the relationship with the funding councils is different, as the funding councils are statutory bodies.

**Ed Weeple:** The process of controlling budgets is broadly similar for the funding councils. Administration costs are separated from overall programme budget costs. Allocations to higher education institutions are a matter for the Scottish Higher Education Funding Council alone. Legislation prevents ministers from having a view on courses, curriculums or institutions. The same statutory guidelines do not exist for further education, but ministers adopt the same principle that the overall budget is a matter for the Scottish Further Education Funding Council. Ministers do not attempt to second-guess in detail the allocations that the councils make.

**Tavish Scott:** I will ask about Highlands and Islands Enterprise. I share the concern that has been expressed about administration costs, because I have done the sums. In the current financial year, 18 per cent of HIE's budget will be spent on administration and that figure will be 22 per cent next year, which is significant in anyone's terms. I was interested in the argument about "A Smart, Successful Scotland". Will some of that

additional administrative cost be covered by the Executive's reappraisal of its economic policy and strategy in that document?

David Wilson gave a helpful answer. Is he saying that the £15 million that is being spent in the current year on learning and skills is an operational matter for Highlands and Islands Enterprise, just as the comparable amount would be for Scottish Enterprise? Is HIE told the scheme's overall parameters within which it must proceed, or is a desk officer in the department keeping a close day-to-day eye on that spend?

**David Wilson:** Tavish Scott made several points. This year, changes in administration costs at HIE have been affected by a redundancy issue, which we have covered. If administration costs had to be increased because an activity must be performed, we would discuss that with the body involved. If an increase were required, that would be agreed if appropriate after discussion.

As for the breakdown of figures, at present we expect HIE to spend £19 million on learning and skills, £10 million on growing businesses and £20 million on global connections from an overall budget of £69 million or so. Flexibility is available. If HIE approaches the department with a particular case for moving money, we will follow a process of dialogue.

On the budgets of many—but not necessarily all—programmes, such as the modern apprenticeship scheme, which we have covered, individual learning accounts and the small business gateway, a departmental official usually has close contact with the enterprise networks.

**Mr Morrison:** As David Wilson says, flexibility within HIE is the name of the game. Resources can be directed where the need arises in one of the local enterprise company areas and moneys can sensibly be moved around. That has been one of the great legacies of the Highlands and Islands Development Board.

On the administration costs, HIE is aggressively pursuing a policy of dispersing jobs from the centre. It is dispersing some 25 core jobs from Inverness to island locations, which is something that Tavish Scott will welcome and endorse. You will appreciate that that policy will cost more initially, but there will be a host of benefits when the systems are up and running and the jobs are dispersed. Inverness is a costly centre, and the city is becoming more expensive every day.

**Tavish Scott:** Indeed, Shetland and the Western Isles make much better locations than Inverness.

Over the summer, the Minister for Finance and Local Government stated that an extra £9 million was being made available for further and higher

education through the Scottish Further Education Funding Council and the Scottish Higher Education Funding Council. I am interested in the strategic guidance that the minister can provide to SFEFC. There are obvious difficulties in providing the required breadth and diversity of courses in isolated locations such as Shetland College and Lews Castle College. Is the minister able to address that issue, as it is causing problems? Given his flexibility over end-year moneys, is the minister able to provide further strategic guidance to SFEFC on the re-allocation of resources, the reconsideration of logical cases for additional resources or additional formula allocations to colleges such as colleges on islands?

**Mr Morrison:** As the member for the Western Isles, I fully appreciate the challenges that island colleges face. In an earlier response, Ed Weepie outlined the relationship between the funding councils and ministers and the guidance that is given. Tavish Scott will appreciate the fact that the sums of money are given by ministers to the funding councils rather than to individual colleges. Nevertheless, I am willing to discuss the point that he raises with Wendy Alexander and officials. It would be wrong for me to make any further commitment.

**Mr Duncan Hamilton (Highlands and Islands) (SNP):** I have been following with interest the debate between Annabel Goldie, Tavish Scott and the minister on Scottish Enterprise. I would like to pursue the matter further, as I find the situation profoundly unsatisfactory.

We are clear that the day-to-day programme costs and the management of those budgets are the responsibility of Scottish Enterprise—that is what was said. We are also clear that the administrative and staff costs are a matter for the Executive. The argument that we cannot get those figures because the work has not been done does not give us much confidence. I presume that you have at least an estimate of whether there will be an underspend in that budget in the short term—it is important that we know that if there is to be a potential re-allocation—or, as David Wilson suggested, a potential overspend in the short term but a longer-term saving. Do you have any estimate of that? When was the work on quantifying the savings started and when do you expect to complete it?

**Mr Morrison:** Annabel Goldie has consistently raised this point, and I have tried to be as helpful as possible. As I have said, the potential administrative costs to Scottish Enterprise and Highlands and Islands Enterprise are not lost on ministers. Robert Crawford, of Scottish Enterprise, ran with this agenda and has tried—rightly—to reduce administrative costs.

**Mr Hamilton:** Everyone accepts that, but we are

trying to quantify the costs as part of the budget process. When was the work started and when do you expect it to be completed?

**Mr Morrison:** Again, I can respond only on the time that I have been in this position. Robert Crawford is in a similar position. The process has been going on for some time. It is difficult to quantify, because it does not yield results, as has been explained in previous replies. When staff numbers are reduced, a cost is attached. It is in later years that one begins to appreciate where the yield is.

**Mr Hamilton:** The committee understands that. It is true that there may be additional costs in the short term, but why is it so difficult to produce estimates? When will that happen?

**David Wilson:** I will cover that. If I may, I will correct a slight misapprehension. It is not that the work has not been done, but that the clear picture that we would be content to make more widely available has not been finalised. Members must think about the context. Robert Crawford has made public statements about the likely level of redundancies at Scottish Enterprise. In the annual accounts that were published recently, there is a statement about 180 redundancies last year. There are likely to be fairly significant redundancies this year. Inevitably, there must be discussions with the trade unions. It is a very sensitive matter and we cannot simply pluck numbers from the air and say, "This is the number that we will set." The aspect of the process of change that will lead to redundancies and the cost implications are, to a degree, uncertain.

Another aspect is that Scottish Enterprise is going through what it calls a process of business transformation, which is leading to improvements that the committee will welcome, such as improvements in its advisory processes and streamlining with regard to LECs. We are cautious about putting figures on what inevitably is an uncertain process at this stage, but we can furnish the committee with more detailed numbers, which will balance the short-term costs of change with the longer-term savings that will accrue.

**Mr Hamilton:** I am sorry to keep pressing this point, but with the greatest respect, you are still not telling us when that is likely to happen. You tell us that the work has been done and that you want to consult on it further before you put it in the public domain, but you must understand—as I am sure you do—that the committee is trying to come to a rational judgment on the budgets and how they are spent. For the last time, do you have an estimate of when the information will come out?

**Mr Morrison:** The enterprise and lifelong learning department has a budget of £2.25 billion, so even the sternest critic of Scottish Enterprise's

administrative budgets would concede that the administrative savings that we are talking about are on the margins and will not leave the committee in a position to make significant recommendations.

David Wilson made a valid point. This is not a cold accounting exercise. It involves employees who are human beings, and there must be a degree of sensitivity. While being sensitive to the needs and rights of those workers, there is a drive to achieve greater efficiency. I think I have made it perfectly clear that the department and ministers recognise that we have to strive for greater efficiency—an issue that has been raised by a member of the committee on a number of occasions. We take cognisance of sentiments on that. Officials in Scottish Enterprise and the department are striving to achieve greater efficiency while being sensitive to the needs and rights of the workers.

**Mr Hamilton:** The committee may note that we have still not had an answer to the question.

The convener wants me to wind up that line of questioning, so I will ask about visitscotland's budget. You will understand that it seems strange to some people that there is no change in the level 3 figures for promotion and development, although the overall budget is dropping by £13 million. Given that the tourism sector is struggling, would you say that that is an error on your behalf?

**Mr Morrison:** Someone else can respond on the detail and the arithmetic, but no one finds it strange that in the past 18 months, we have increased visitscotland's budget by 95 per cent. When the strategy was launched 18 to 20 months ago, visitscotland's budget was around £19 million. Today, the budget is about £35.5 million, which is a significant increase. As everyone appreciates, visitscotland is currently considering its north American commitments; visitscotland is best placed to examine such operational matters. No one will find it strange that we have committed considerable sums of money to address foot-and-mouth and to ensure that our main tourism agency is properly funded. Even Mr Hamilton would concede that a 95 per cent increase in 18 months is reasonable, if not considerable.

10:45

**Mr Hamilton:** Mr Hamilton may beg to differ. I would like to see the £13 million added in. I have a range of other questions, but I will pass the baton to other members.

**The Convener:** If there are any outstanding issues that we do not cover this morning, members can write to the minister either through Simon Watkins or as individuals for further clarification.

**Mr Morrison:** Absolutely. I will try to respond as quickly as possible and with as much information as possible. Individual members have written to me on several issues following an appearance before the committee.

**The Convener:** I want to wrap up this part of the meeting by 11 o'clock. There are two members still to ask questions.

**David Mundell (South of Scotland) (Con):** I am sorry, convener; I thought that you were going round the table and did not realise that I had to indicate that I would like to ask a question.

**The Convener:** Are you indicating now that you would like to ask a question?

**David Mundell:** Yes.

**The Convener:** Elaine Thomson indicated her wish a while ago.

**Elaine Thomson:** As the minister said, the bulk of the department's budget goes on training and skills and further and higher education. Some challenging targets have been set in different areas and there is a lot of extra expenditure, which seems to have been very successful. There was a commitment to deliver 100,000 individual learning accounts by 2002 and I note that 130,000 ILAs have already been opened. Given that that target has been exceeded and that others are being met, do you intend to reconsider the targets and set more challenging ones? Are you considering a continued percentage increase in the number of people taking up training or education?

**Mr Morrison:** Elaine Thomson raises an important point about the individual learning accounts target. When we set our initial target, we believed that it was an ambitious one, even though we have now exceeded it. We are constantly reviewing such targets and how we can best use ILAs or modern apprenticeships. As I said, in the construction industry, we removed the age barriers to allow a greater number of people to access the modern apprenticeships. We discuss reviews of all targets regularly.

**Ed Weeple:** Ministers are considering where to take individual learning accounts. The next phase of the policy is being developed. Wendy Alexander hopes to be able to announce fairly soon how she will develop individual learning accounts. I am not in a position to make a firmer statement on that at the moment.

**Elaine Thomson:** The point has been made that across the Scottish budget—not just in enterprise and lifelong learning—large sums are allocated to NDPBs. Has any consideration been given to how openness and transparency of information can be improved? MSPs have an interest in how large amounts are spent within such bodies. Other committees, including the

Finance Committee, have suggested how information could be presented in more helpful ways, perhaps by using new technology to provide links to other organisations that are producing operation plans and so on. I am thinking of Scottish Enterprise, for example.

**Ed Weeple:** It is fair to say that there is a considerable amount of information in the public domain relating to the learning agenda. For example, the two funding councils publish their plans in their annual accounts and all the institutions that they fund offer substantial information about their activities.

The same is true of many of the other institutions in the field, such as learndirect Scotland. The challenge is not so much to increase the amount of information that is already in the public domain, but to pull it together in a readily accessible form. How do we pull together the very large amount of information that is publicly available, often on websites—such as those of the Scottish Further Education Funding Council and the Scottish Higher Education Funding Council—into a form that is meaningful to ministers, departments and committees?

**Mr Morrison:** The accessibility and clarity of information are two key issues, which members of the committee have raised on other occasions.

**Mr Kenneth Macintosh (Eastwood) (Lab):** I return to an issue that Annabel Goldie asked about and that we raised at stage 1 of the budget process. We asked where in the budget documentation the budget of the enterprise and lifelong learning department appears. You replied that it would be included in the January documentation. Unfortunately, when preparing for this meeting last night I did not have a copy of that documentation to hand to examine it.

I want to explain why there was concern about this issue and why I was among the members who raised it. It is not clear which minister is answerable for your department's budget. If it comes under a different heading—"Scottish Administration" or "Scottish departments"—in the budget document, which minister is answerable for that part of the budget? Is it to your advantage to reduce your departmental costs or is that someone else's responsibility?

**The Convener:** I do not want to rush the minister, but I ask him to keep his answers short and to the point. We have a heavy agenda and I am trying to keep to our timetable.

**Mr Morrison:** The issue that Ken Macintosh raises requires further clarification and I am happy to provide him with that in writing. In the broadest sense, the First Minister and the permanent secretary to the Scottish Executive are responsible for the running of our department and other

departments. I cannot provide an answer now to the specific question that the member asks, but I will do so in writing.

**The Convener:** Perhaps you could copy your response to other members of the committee.

**Mr Macintosh:** I have two short questions. The first relates to the saving that has been made on student loan defaulting. I put that to the representatives of the Student Awards Agency for Scotland.

My second question relates to the money that was put aside for dealing with foot-and-mouth. All of it seems to come under the budget for visitscotland, but I thought that some of it was channelled through Scottish Enterprise. I have written to the department to express the concerns of local businesses that have been badly affected by the foot-and-mouth outbreak. Their complaint was that they were having difficulty accessing the money available. The usual public controls on that money meant that businesses could not get their hands on it. All they could do was employ consultants to tell them how to improve their business, which they already knew. Has any money been channelled through Scottish Enterprise and what was the uptake of that money? Has the full amount that was allocated been spent on helping businesses out?

**Mr Morrison:** Rightly, a large chunk of money went to visitscotland following the foot-and-mouth outbreak. The body received a 95 per cent increase in its funding. Scottish Enterprise received £4.5 million and Highlands and Islands Enterprise received £500,000. Additional moneys went to the Dumfries and Galloway Tourist Board and to Dumfries and Galloway Council.

**David Wilson:** I will answer the question about uptake, but I should also mention that the £5 million that went to Scottish Enterprise and Highlands and Islands Enterprise is not included in these figures because it came from end-year flexibility in the department's budget, rather than from the budget consequentials. The money is not noted in these figures, but it has gone to Scottish Enterprise and HIE. As the minister said, Scottish Enterprise also found additional money for Dumfries and Galloway.

I understand that the vast majority of the funding that was made available to Scottish Enterprise Dumfries and Galloway has been included in budgets and that there is a process for spending it. I do not have the figures to hand that would show how much has been spent as of now, but we expect that the vast majority of the money, if not all of it, will be spent.

The uptake across the rest of Scotland is slightly less certain because it has turned out that the funding that was made available to other LECs

has not been necessary. Budgets were made available to meet a need, but the effects of foot-and-mouth disease have clearly been concentrated in Dumfries and Galloway.

**David Mundell:** In that case, I will not use this occasion to make the case for more resources for Dumfries and Galloway, although they will undoubtedly be required.

**The Convener:** Dead right you will not.

**David Mundell:** I asked the minister a number of parliamentary questions on the effect that the funds that are spent in various areas are having. The measures that are contained in the document are fairly crude. It is important that we are able to say that, for example, the £11.9 million that was given to visitscotland to deal with the effects of the foot-and-mouth outbreak made a difference to people. I do not think that that is necessarily the job of the organisation that received the funding as that could lead to a culture of self-justification. Many members will recognise that that culture exists to a certain degree in non-departmental public bodies—we hear about what a good job they are doing rather than what sort of job they are doing. What is being done in your department to determine the effectiveness of the funds deployed other than the setting of simplistic targets?

**Mr Morrison:** The simplistic response is that the effectiveness of the money that was given to visitscotland will be determined by the number of tourists who come to the country.

We need to re-examine the way in which the money is being spent. For example, visitscotland is considering the UK market, among others.

Dumfries and Galloway Council has explained to the world that it will use the money that it has been allocated to target markets that it feels have been neglected in recent years, such as Northern Ireland and the north of England. In a year's time, David Mundell will be able to reflect on the benefits that the money has delivered.

**David Mundell:** I will be happy to do so. However, I am not clear about what assessment is being made of the effectiveness of the allocation of the funds in terms of the performance of the organisations.

**Mr Morrison:** I will continue to use the example of visitscotland. That organisation is working to a strategy that is being refined as we go along. We are working in circumstances that are different from the ones that we faced four short weeks ago. We will assess visitscotland in terms of its strategy on tourism and ensure that the money is spent accordingly.

**The Convener:** It might be helpful if the minister would circulate the impact assessments to the committee when they are made.

**David Mundell:** That would be helpful. It is important that we ensure that additional funds are allocated in the most effective way and that we have a basis on which to judge that. For example, I might have argued that less money should be given to the centre and that more money should be given to local organisations.

**Mr Morrison:** I am happy to make that information available in writing to David Mundell. I can assure him that we do not simply thrash around and throw money in any direction.

**David Wilson:** David Mundell's point follows on from my answer to Tavish Scott's question. An official will be liaising closely with any body to which funds are given. The key role for the department is the setting of the overall policy and the direction that the organisations should take. However, once the operational decisions are taken by the NDPB concerned there is a clear monitoring and evaluation role for the department. That role will come through both in the additional moneys for foot-and-mouth and the like and more generally in terms of the overall activities. That is a clear role for the department.

**David Mundell:** I am confused about how your budget, as set out in the document, dovetails into the rural development budget and funding development activity in rural areas. That is slightly unclear at the moment. You will recall that, on a number of occasions in the chamber, I asked why Wendy Alexander rather than Ross Finnie responded on the foot-and-mouth issue. I would appreciate greater guidance on the connectivity between your department and the environment and rural affairs department, particularly when it comes to funding.

11:00

**Mr Morrison:** I am happy to respond in writing to David Mundell.

**The Convener:** It would be useful to copy that response to all committee members.

**Mr Morrison:** It goes without saying that any written response to a member will be copied to the other members of the committee.

**The Convener:** Thank you, minister.

Wendy Alexander is making an announcement at 12.30 pm on the multimillion-pound boost for further education. However, given that it is 11 o'clock and that the information will go to the press in an hour and a half, I request that committee members be given the information at the same time as the press gets it.

**Mr Morrison:** I will ensure that you get that detail.

**The Convener:** Thank you.

I remind members that we will discuss this issue further under item 6, when we outline our response to the minister on the points that he has made.

## Student Awards Agency for Scotland

**The Convener:** I welcome from the Student Awards Agency for Scotland David Stephen, the chief executive, Graham Gunn, the head of information services and operational policy, and John Watt, the customer services manager.

Committee members have received a fairly substantial and useful memorandum from the agency outlining its work. Do our witnesses want to supplement that with a brief introductory statement before I open up the meeting to questions from members?

**David Stephen (Student Awards Agency for Scotland):** Thank you, convener.

There is obviously a limit to how much territory we can hope to cover in the time available this morning, so I invite any members of the committee who are interested to come to the agency, tour the operation and have a wider discussion of any items of concern.

I have a point of clarification on the memorandum that we sent to the committee. Until about two years ago, the agency was involved in policy development. Since I took over as chief executive, the policy function has been located in the higher education, science and student support division of the Scottish Executive enterprise and lifelong learning department in Glasgow. The agency is now very much the mechanics of the operation. Our involvement in policy is largely restricted to giving advice on the practicability of certain measures, such as how much they might cost and what they might mean in terms of manpower. There may be limits to how far we can go in answering questions that have a policy bent to them.

**The Convener:** As you know, we are undertaking a lifelong learning inquiry. A theme that has emerged is the complexity, confusion, overlap and duplication of sources of funding for students. I understand what you just said about policy but, given your substantive role in funding, roughly how many different schemes for student funding—in your agency, in other agencies such as the Student Loans Company and, directly or indirectly, through the funding councils—do you reckon there are?

**David Stephen:** I have not counted how many there are altogether. The two main streams are higher education funding, for which we are responsible, and further education funding, which goes through the Scottish Further Education Funding Council and the bursaries that colleges administer. Individual learning accounts and

modern apprenticeships, for example, are outwith what we could call the tertiary education ambit. There are quite a few such sources of funding. The Student Loans Company does not operate a separate scheme as such. It simply pays the loans that the Student Awards Agency assesses.

**The Convener:** So the SAAS is essentially the administrative organ for loans in Scotland.

**David Stephen:** Yes.

**The Convener:** The other point to emerge is the lack of ready-made information on what is available to students. Is there a database of all the funding schemes for students?

**David Stephen:** I think that there is information on the learndirect Scotland website. Our website gives comprehensive information on what assistance is available to those in higher education and it has links to other websites that people who stumble across our website can follow to find out more.

**The Convener:** Is the information exhaustive, or does it relate only to what the SAAS provides?

**David Stephen:** Our website is exhaustive only in respect of what we provide.

**The Convener:** Ken Macintosh may want to ask a question. It was his idea to invite the agency, which is the only quango not to have given evidence so far.

**Mr Macintosh:** I feel like a host. I did not realise that I was responsible for this experience—I hope that it is not an ordeal.

I want to clarify two points. At the previous budget session, I wanted to ask for more details on defaulting on student loans and on the saving of £10 million a year. Is that saving based on the old system of mortgage repayment loans? Why has it suddenly been realised that £10 million a year will be saved?

Secondly, the figures for 2000-01 in the table on page 3 of your excellent briefing are not the same as those given on page 81 of the "Draft Budget 2002-03". For example, the running costs of the SAAS are given as £4 million in your briefing but as £2.7 million in the draft budget document.

**David Stephen:** The £10 million saving is difficult to explain. Prior to the introduction of resource account budgeting and resource accounting itself, if we loaned £1,000, that scored as £1,000 in the budget and appeared in the accounts as £1,000. However, under resource accounting, one must take account of the fact that a loan will be repaid at some point. Our economists and statistician colleagues run a complex model that considers, for example, the circumstances that graduates will be in and their possible earnings. From that model, they take a

view on recovery rates.

When resource accounting was introduced, the value of a loan was scored at 50 per cent. Since then, additional modelling work has been done down south and in Scotland. The new-style income-contingent loans are collected through the Inland Revenue, so collection rates are significantly improved. Down south, the view has been taken that the cost of a loan should score at 40 per cent. In Scotland, we are still refining our modelling. We took a slightly more conservative view and thought that 45 per cent was probably nearer the truth in our circumstances. The shift from 50 per cent to 45 per cent meant that the saving was considered safe for the department to surrender.

On the second point, the figures for 2000-01 that we have tabled are actuals as opposed to budget figures. The earlier figure would have been the budget figure. The £4 million is the outturn. The increase has been caused by a higher than normal pay award and the fact that we have had to undertake fairly significant developments of our information technology systems in the past three or four years.

**Mr Macintosh:** As you are no longer responsible for policy, what is the main body responsible for setting policy for student awards, hardship funds and the systems that are used?

**David Stephen:** Policy is made by ministers, of course. Policy advice is provided by our colleagues in Glasgow in the higher education, science and student support division.

**Mr Macintosh:** Policy is therefore set by the enterprise and lifelong learning department rather than through SHEFC.

**David Stephen:** That is correct.

**Mr Macintosh:** Page 5 of your submission outlines your future plans and mentions working with the SLC to amend the loan payment system. I recently went to see the SLC. It is a UK-wide body and it, too, is developing, under its modernisation programme, a one-stop shop system. I am concerned that the SAAS is developing a separate one-stop shop at the same time as another agency is developing another. Is that what is happening?

**David Stephen:** Not entirely. It is intended that the SLC will continue, on a UK basis, to perform the functions of loan account administration and loan collection. That is not at issue.

There is some confusion in the public mind about what the SLC does and what the SAAS does. Some of that confusion comes from the fact that people apply to us but then receive a cheque with SLC on it. All we propose to do is to add one step to our processing system, so that we issue

the cheque. After that, all the data will go to the SLC and the system will continue much as it does at the moment.

The SLC is developing a modernisation programme. However, since devolution, differences have arisen in student support systems north and south of the border. At the moment, we do not feel that it would be sensible to tie ourselves into an organisation whose systems are geared towards dealing with approximately 1.2 million students in England and Wales but that has a much smaller customer base of about 120,000 students in Scotland.

**Mr Macintosh:** I was just—

**The Convener:** Ken, I am sorry, but we have to watch the time because two other members wish to speak. Would you make this your last question?

**Mr Macintosh:** Certainly. I just wanted to say that I would have hoped that the SAAS and the SLC could work together to introduce systems that operated in parallel rather than being separate. I know that the SLC is concerned, because the issuing of the cheque is a vital step for its systems—it is the means by which it gathers the information that then makes its collection system work. If the SAAS were to issue the cheque and then pass the information to the SLC, the SLC could lose information and administration would become more awkward.

**David Stephen:** We have been discussing that concern with the SLC. At the moment, it is true that its system generates a loan account by physically issuing a payment. We will be working alongside the SLC; we hope that the SLC will be able to create the loan account on receipt of what is, in effect, a journal entry from us. We will still be giving it all the information that it gets at present. The arrangement is by no means a done deal but it is something that we hope to achieve to improve the service to the public.

**The Convener:** Before I bring in David Mundell, I remind members that we have to finish this agenda item by 11.20 am or by 11.25 am at the latest.

**David Mundell:** I will be brief. The clerks briefing paper does not mention the Benefits Agency, but its activities have been shown—certainly by the inquiries in which I have been involved—to have had a major impact on lifelong learning. What is your relationship with the Benefits Agency? Do you discuss the overall funding picture? Benefits play a key part in that, especially to the income of people in part-time learning.

**David Stephen:** John Watt will be able to say more about that than I can. We have regular discussions with the Benefits Agency and we



exchange information. By and large, students in higher education are not eligible for benefit but, as you rightly say, people in especially vulnerable groups are. In conjunction with the Benefits Agency, we have tried to iron out what happens in certain circumstances—for example, when a student has to leave a course because of temporary illness. We have to ensure that such people do not fall through a gap between the two systems.

**John Watt (Student Awards Agency for Scotland):** Our main dealings with the Benefits Agency are to do with fraud detection—if a student is trying to claim benefit at the same time as they are receiving student support.

**Elaine Thomson:** I want to return to Kenneth Macintosh's initial question. Because repayment rates from students have been better than expected, you have been able to make a £10 million saving this year. However, you said that, although in England a 40 per cent rate for scoring the value of a loan has been adopted, you have chosen a slightly more conservative 45 per cent rate. Does that mean that, if you find that things are better than expected, you will be able to move to the 40 per cent rate, with the potential for more savings?

11:15

**David Stephen:** That is possible. The whole area of resource accounting and budgeting is complex and new and we are feeling our way through it. In theory, the answer is yes. However, if we find that we have been too optimistic, the rate could go up.

**The Convener:** Thank you. Your written and oral evidence has been extremely helpful.

## Subordinate Legislation

### Right to Time Off for Study or Training (Scotland) Amendment (No 2) Regulations 2001 (SSI 2001/298)

### Education (Student Loans) (Scotland) Regulations 2000 Amendment (No 2) Regulations 2001 (SSI 2001/311)

**The Convener:** The fourth item is consideration of subordinate legislation. We are joined by three people from the Scottish Executive: Chris Graham, temporary head of higher education student support policy; David Seers, team leader in the training for young people branch; and Rosemary Whelan, who is part of the policy executive in the training for young people branch. David, do you have any supplementary points in addition to the explanatory notes that you have supplied?

**David Seers (Scottish Executive Enterprise and Lifelong Learning Department):** We apologise for taking up the committee's time again. The Department for Education and Skills down south caught us out with some late changes to its regulations on the right to time off to study or for training, which it incorporated in the summer recess. We needed to incorporate the changes, too, because time off from work is a GB-wide right. Although the changes are all English ones, we still have to acknowledge them.

**The Convener:** Are members happy with both instruments?

**Members indicated agreement.**

**The Convener:** We will now have a comfort break for strictly five minutes; we will start again at 11.25 am, when we will receive a presentation from Professor John Fairley and representatives of Blake Stevenson.

11:17

*Meeting adjourned.*

11:27

*On resuming—*

## Lifelong Learning Inquiry

**The Convener:** We move to agenda item 5, which is our lifelong learning inquiry. We will receive a presentation on the report that the committee commissioned through the Scottish Parliament information centre. I welcome Professor John Fairley from the University of Strathclyde and Norma Hurley from Blake Stevenson.

I remind members that as this is the final report from Blake Stevenson and Professor Fairley, the presentation will concentrate on the main conclusions and lessons arising from the substantial work that has recently been undertaken. The presentation will take about 15 minutes, after which we will have a period of questioning. I want to finish this session by 12:20, so I ask members to keep their questions to the point. I am sure that the consultants will do the same with their answers. I have already agreed with the consultants that if there are any outstanding questions, they will reply to them quickly in writing to ensure that members do not feel that some of their questions have not been answered properly.

11:30

**Professor John Fairley (University of Strathclyde):** I will provide some background and contextual remarks before handing over to Norma Hurley, who will present our findings in summary. Norma led and co-ordinated the Blake Stevenson team, of which I was a part for this purpose.

The brief that we were given is important. We were asked to map lifelong learning provision in Scotland, which has not been done before, and in so doing to concentrate on certain priority groups of learners. It is important to keep that in mind, because the committee will have many concerns that were not part of our brief. As far as the brief is concerned, the report is a fairly comprehensive document.

We were asked to present our findings by local economic forum area, to provide profiles of those areas—which I think members will be interested in—and to permit comparisons between them. We have done that in the report.

It is worth dwelling for a few moments on the process that we went through. In mapping lifelong learning, we were very aware of a point that we had known previously but which was put into sharper focus: this area is not only complex but

changing rapidly. In a sense, we have provided a snapshot of something that is moving quickly and changing shape. That is not to say that the snapshot is redundant. It is capable of being updated, but if it is not updated it will date rather rapidly. We conducted quite a lot of original research in the process of preparing the snapshot for the committee; that will be clear from the report.

I will point in particular to one aspect of the work: the survey of national training organisations. We spoke in some depth to 11 of them. There are currently 73, although the network is being downsized as a result of the recent review. Most of them are voluntary bodies. Three of them are non-departmental public bodies with levy grant powers and are cross-border authorities in terms of the Scotland Act 1998. That part of the report is original research, as are several others.

We also produced a detailed database. I hope that members get the chance to look at it and to use it in the context of the committee's inquiry. It is clear from our document—I want to conclude with these remarks—that other issues require to be researched if the inquiry is to be exhaustive. For example, we have done little work, because of the nature of our brief, on work-based learning in Scotland. Little is known about that, especially the informal aspects of work-based learning, because it is under-researched. Further education for adults and its links with community-based learning is another issue that requires further research. There is a complex set of issues around access to higher education, which is increasingly being facilitated by further education. Our report touches on those issues, but it was not part of our brief to research them.

In preparing the document, our main priority was the brief given to us by the client, but we also tried to think how committee members might make use of it. We hope that it will be helpful to the committee in two ways. First, as a background to today's discussion, during which we will try to answer your questions on the work that we have done and, secondly, as a reference document as the committee carries out its inquiry. If members lack specialist expertise on some aspects of the inquiry, it may be helpful to turn to the relevant part of our document to refresh your memory before speaking to witnesses.

**Norma Hurley (Blake Stevenson):** I will speak fairly briefly about some of the issues and questions that have arisen from the mapping exercise that we have done for the committee. Members have received the report and will be able to consider the details.

I will touch on some of the significant issues that seem to come out from our work. The first concerns legislation and entitlements to learning.

As the committee would expect, we have found that although a lot of legislation governs mainstream post-school education and training, there is a particular weakness with work-based learning. The entitlement to time off for study is fairly limited, because it is restricted to 16 and 17-year-olds, who would arguably go down the skillseekers route if they wanted to study. In April of this year, only 14 per cent of the working population were involved in work-based learning. We know that the figure is not particularly high, but as John Fairley said, there is currently not a great deal of research that we can look to for that information.

The policy framework is fragmented between the UK and Scotland levels. For example, national training organisations are UK bodies but they operate in Scotland with a different policy agenda because of the different political, social and economic situation. Obviously, Scotland also has a different education and training environment within which the national UK-wide NTOs must operate. Another example is how the Employment Service's new deal programme interfaces with Scottish Enterprise's policy on training for work. The policy level is a bit fragmented.

There is departmental overlap, which also exists within the Scottish Executive. The most obvious overlap is between the education department and the enterprise and lifelong learning department. For example, careers Scotland will sit within Scottish Enterprise and offer careers guidance for all ages from school to retirement and perhaps beyond. As is obvious, education sits within the education department. Community Learning Scotland is sponsored by the education department, but enterprise and lifelong learning is clearly within another department. Another obvious overlap is that the new communities Scotland organisation, which will focus on regeneration and social inclusion, of which lifelong learning is one element, will not sit within the enterprise and lifelong learning department.

Let me tease out those differences. Multiple funding streams are available for lifelong learning. Different funding is available from the European social fund, the community fund and the more established regular funds for higher and further education. Local authorities also have multiple funds. There are FE hardship funds that people do not know about until they apply to a particular college. That leads to duplication of provision, especially at the community level. Organisations that supply learning in the community must apply to a range of organisations for funding. The picture of provision is complex because there are different funding criteria and regulations: funding may be accessed by age or by previous employment or unemployment or whatever. Our report highlights some of the complexity that we have come across.

I want also to pick up on a couple of equality issues. An obvious gap exists in the co-ordination and support of lifelong learning provision for ethnic minority groups in Scotland. As far as we could ascertain, there is no national organisation to do that. There also appears to be a real need for capacity building at local level among ethnic minority groups.

It was interesting that the committee picked up on gender segregation. The report details the percentage of young women who are undertaking modern apprenticeships in Scotland. That varies from 4 per cent in the Western Isles, through 11 per cent in the north-east and Grampian, to 27 per cent in Glasgow, which is the highest. Overall, there is still clear gender segregation in modern apprenticeships. We simply present that as a statistic, which members can use as they will.

The picture for lifelong learning is, as John Fairley said, changing all the time, but there are a few significant developments that are worth drawing attention to. There is a clear development in the use of technology: e-learning and e-guidance are being focused on as a way to enable many more people to access learning. That is becoming a major focus of learning. The one caveat that we might offer on that is that in our research and in other research into the area, those who are most socially and economically excluded always stress that they value the one-to-one contact—the human interaction—that can be supported through information and communications technology but can never fully replace it.

There is increasing co-ordination at the Scottish Executive level. Scottish Enterprise's bringing together of careers Scotland and future skills Scotland, for example, is clear evidence of that. Moves to co-ordinate are afoot. Collaboration among bodies operating in the sector is increasing. I would not like the map that we have drawn to be seen in any way as negative. We are saying that a lot of extremely good activity is going on in Scotland. That is clear. There are moves towards collaboration and co-ordination. They are to be supported.

We have offered a couple of examples. Adult literacy and numeracy will be major focuses of the Scottish Executive over the next three years. The Executive has allocated £24 million to those areas. Communities Scotland is emerging to replace Scottish Homes and will have a focus on encouraging regeneration and social inclusion in local communities.

Those are some of the pictures that are emerging. We are happy to take any questions that the committee may have.

**The Convener:** The report has been circulated

along with the executive summary. The questions may relate to the presentation, the report or the executive summary.

**Miss Goldie:** The report is a remarkable piece of work. It is a truly tremendous bit of pioneering. Many things have baffled me since I came to the Parliament, and the witnesses have shone light on areas on which I thought I was forever to dwell in darkness.

I could not help noticing that in the part of the report that covers the Renfrewshire LEC,

"No response was received from Inverclyde Council."

Am I correct in saying that that was the only council not to respond for the purposes of compiling the report?

**Norma Hurley:** One other council may not have responded or may not have provided all the evidence we needed. We tried strenuously to gather information from all the local authorities. In the end, we had to draw a deadline.

**Miss Goldie:** It struck me that that omission in that area is quite grave. I am not blaming you for it. I was surprised at the council's inability to respond.

My second point is more to do with your presentation. When I was reading the report, I realised that work-based learning is not covered for the understandable reason that it is extremely difficult to track. Work-based learning is a component of lifelong learning. Would you venture an opinion on how extensive work-based learning is in Scotland? Do you think that it is a fairly small proportion of what is happening or is it a little more significant? Is it possible to express an opinion on that?

**Professor Fairley:** It would be only an opinion. There is a definition problem, in that to do jobs that are changing—in many cases changing rapidly—workers have to learn all the time, but when we think about public policy on and public funding to support work-based learning, we tend only to consider learning that leads to a formal qualification.

We have some research findings on that latter area that suggest that the activity level is quite low. Norma Hurley gave the figure of 14 per cent of people being engaged in formal work-based learning at the time of our study, but little is known about the broader and less formal processes.

**Marilyn Livingstone:** My first question concerns complexity of funding. I was interested in some of the points that were made throughout the report. Did you find any evidence that funding, rather than relevance of training programme, was a consideration when people—particularly young people—make their choices of training?

**Norma Hurley:** My answer will probably be more opinion than fact because examining young people's choices was not part of our research. From other research that we have done in the area, it appears that because of the different ways in which funding is offered, young people sometimes opt for what they can afford to study rather than what they choose to study.

The report considers the number of routes that individuals can take and makes the crucial point that there is a need for guidance about the range of opportunities that is available and the funding that is available for each of those opportunities. That guidance is required at all stages—for young and older people. Research exists on the barriers, including the financial ones, to people entering learning, but that was not covered clearly in what we did.

11:45

**Marilyn Livingstone:** My question was more about economies of scale and volume training. Did you pick up evidence that people following the funding streams, such as employers, influence what people study?

**Norma Hurley:** To be honest, we cannot comment on that from our work.

**Marilyn Livingstone:** My second point is about barriers. You felt that one of the major barriers was the lack of impartial and informed guidance. Were there other issues—for example, was funding perceived as a barrier?

**Norma Hurley:** I will answer that question partly and John Fairley can add his views. Lack of funding is a barrier, as is lack of information. Last week I had a focus group in which I discussed those issues with young people in Drumchapel. They felt that they had been given insufficient information at school about the funding for post-school education. When they went into FE and HE, they had insufficient detailed information about what was available. That was only one focus group in one area of the country, but those views are not uncommon—there is a lack of sufficiently clear detailed information for young people at the transitional stage.

**Professor Fairley:** We use the word "funding" as shorthand for a number of things, such as the budget, the lack of budget flexibility, the time period for which the budget is available and aspects of financial management—output budgeting and so on. We reached the conclusion that the fragmentation of funding, understood in that complex way, contributes to the fragmentation of provision. The fragmentation sets up barriers, which are sometimes insuperable, for people who want to move from one form of provision to another.

**Marilyn Livingstone:** You examined the developing interface between FE colleges and universities and the transfer of students and you said that access to university with non-traditional highs and O grades is patchy. Will you expand on that and say how patchy it is?

**Norma Hurley:** I say at the risk of over-generalising that we found that new universities—the post-1992 universities—seem to be more flexible and to be taking greater strides towards encouraging access from non-traditional students or students who would not normally be expected to go straight into HE after school. For example, those universities seem to be more flexible and open than do some of the older universities in accepting students who have an HNC on to the second year of a degree course.

Our research on the area was limited, but it backed up other research on the flexibility of the newer universities versus the older ones. The other thing that came out in the report is that, for historic reasons, the newer universities tend to be more flexible in terms of part-time courses. That enables non-traditional first entrants to re-enter as mature students.

**Marilyn Livingstone:** As you know, I worked in further and higher education before being elected to the Parliament. One of the issues that was apparent to me was the lack of women participating in modern apprenticeships. There was a lot of gender stereotyping and a lot of the modern apprenticeships were in traditional apprenticeship areas such as construction. We need to consider developing and promoting modern apprenticeships in different areas.

That was my very limited observation. Did your results indicate the same?

**Norma Hurley:** Yes. HIE was able to give a good breakdown of modern apprenticeships by sector and occupation. What you say is true. There is clear occupational segregation by gender. However, most modern apprenticeships are in stereotypical men's work—if you want to call it that—such as engineering and construction.

**Professor Fairley:** In Britain, we have 20 to 25 years' experience of trying to recruit young women for non-traditional apprenticeships. It is patchy, however. Some public agencies have found it difficult to learn the lessons of that experience.

**Marilyn Livingstone:** My final point is on quality. Could you expand on the quality and inspection issue?

**Professor Fairley:** Again that is very patchy. As you would expect, we found that the best systems are in mainstream post-school and further and higher education. In the new deal programme, the systems are only being developed and they are

non-existent in some areas—for example in prisoner education, where there is no longer an inspection process.

**Marilyn Livingstone:** I ask that question because we have had evidence about all the different quality assurance programmes in existence. Examples are the Scottish Quality Management System and Investors in People. A lot of the evidence that we have taken points to a possible need to rationalise those quality systems and make them more coherent. I wondered whether that idea had come through in your evidence.

**Norma Hurley:** Because of the patchiness of those programmes, it might be interesting to consider whether there would be any value in having one quality framework that covers a number of sectors. A number of different quality measures are being developed. The evidence provokes the idea that it might be worth further consideration.

**Tavish Scott:** I join my colleagues in saying that I am much better informed because of your piece of work. To that extent, it has been helpful.

I want to pick a different area and talk about the policy and funding of national training organisations. On policy, I was interested in the remarks in your presentation about not so much the complexity as the different agendas that might exist. Will you give the committee some illustration of that? Are you saying that because there are, for example, three cross-border NTOs they might have a different policy agenda because they have to react to the Scottish Executive as well as their sponsoring Whitehall department? As for the NTOs that are not statutorily set up on a cross-border basis, does the explanation lie in their location or is there a historic reason? What is behind that?

**Professor Fairley:** To answer your first point, about different agendas, it might be helpful to offer a fictitious example. The NTOs are changing, but for all sorts of good reasons they have been driven by business plans. If someone in a rural area tried to set up a business in a sector that was under-represented in Scotland compared with the British pattern, they might not find it easy to access support from the NTO. Whether such support was possible might even depend on LEC-NTO relationships. My feeling—which is not based on my research—is that HIE has been a bit more proactive than Scottish Enterprise has been for its rural areas. Nevertheless, HIE may still have difficulties.

The reasons for the divide between statutory and non-statutory NTOs are historical. I do not wish to comment personally on that trend, but I would argue that since the enactment of the

Employment and Training Act 1973 there has been a move away from an effective, statute-based training system towards a voluntary system. Following that policy shift, people have viewed the remaining statutory arrangements as weak, because employers could not voluntarily get their act together. On the other hand, I do not know of any proper research into the effectiveness of NTOs.

**Tavish Scott:** Are you saying that no such research has been carried out?

**Professor Fairley:** I know of some consultancy reports, but not of any other research.

**The Convener:** We will be taking evidence from the Construction Industry Training Board, which is one of the biggest of the remaining three NTOs.

**Tavish Scott:** That is interesting and useful information.

Your report says:

"NTOs have been allocated £1.5 million for Scottish operations for the next three years, against a total UK funding allocation of £45 million."

You go on to say that such under-representation in respect of funding is a major concern.

Is there an historical process behind the way in which funding is set up? I presume that your point about business plans was based on the fact that there has been no research into the effectiveness of NTOs. There seems to be no link back to effectiveness, targets or outputs. What are your reflections on that point?

**Professor Fairley:** NTOs are set up and regulated by the Department for Education and Skills—I think that that is what it is called now. They are given fairly broad objectives but I assume that, within the accountability framework of the DFES, some notional examination of effectiveness will be made. However, I am not aware of any broader examination of the effectiveness of NTOs in relation to the contribution of training to economic development.

**Tavish Scott:** I noticed from your report that Seafish Training and Standards is one of the statutory NTOs. It is obvious that you have done some work on that organisation. Its proportion of the UK yield is 33 per cent and it spends £700,000 in Scotland, which is about 40 per cent of UK spend and is better than the other NTOs that are mentioned in the table on page 60 of your report. I presume that it could be argued that, as the majority of the UK fishing industry is based in Scotland, it should spend a heck of lot more in Scotland. How does that relationship work? Does it depend on the sponsoring department? I note that Seafish Training and Standards is a cross-border statutory organisation. Did your research

find that it is an example of an NTO that has good linkages into LEC areas?

**Professor Fairley:** Our research into that NTO did not go into such detail. However, we found that it is a particularly interesting organisation, as it is an NDPB that is accountable to whatever the Ministry of Agriculture, Fisheries and Food is now called rather than the DFES. Its levy is raised on fish landed and varies by species, which is an interesting point. I do not know exactly how it plans its training expenditure—you would have to put that question to the organisation directly.

**Mr Hamilton:** My questions relate to the section of the report that deals with gaps in provision and the issue of rural and island provision—I was pleased that you highlighted that area.

I would like to hear more about whether, at this stage, you are able to draw tentative conclusions from that work. What did the respondents that you contacted identify as the top four or five issues? More important, you identified that HIE's rationale and strategy are different from those of Scottish Enterprise. Did the people to whom you spoke have a consensus opinion on whether there should be one overarching strategy with the same rationale, or did they want a differentiated position? If the view was that there should be a more coherent strategy, did people hold a concerted view about who should lead that strategy? The Scottish Executive would be responsible for online learning and connectivity issues, whereas councils, NTOs and enterprise companies would have other responsibilities. Who do you think should lead that strategy?

12:00

**Norma Hurley:** We did not ask people, as part of our research, what the strategy should be. There needs to be more work and more focus around that matter. We did not ask people whether there should be an overall strategy or who should lead the strategy. We thought that the committee might want to ask some of those questions of the appropriate bodies, as and when it talks to them.

What people said to us—and what we mapped—was that there are different needs in different areas and that there has to be a flexible local response. It emerged that a blanket, one-size-fits-all strategy is not the answer. Rural areas, for example, have specific needs in transport, accessibility and economies of scale. They have the problems that are associated with setting up classes for small numbers and making them financially viable. The lively way in which the Highlands and Islands have taken to e-learning, for example, is excellent and there are good models there that could be adopted elsewhere in the country. Within an overall strategic framework

there must be flexibility to meet local need, because that is variable in Scotland.

Do you want to add anything, Professor Fairley?

**Professor Fairley:** The Highlands and Islands have differences in learning needs that must be met. That was one of the reasons for having the Highlands and Islands Enterprise network, rather than a single Scottish body. Prior to the establishment of the HIE network—Highlands authorities gave evidence to the then House of Commons Select Committee on Education and Employment on this matter—it was perceived that the one-size-fits-all approach of United Kingdom schemes had not helped learning to be effective in the Highlands.

**Mr Hamilton:** The research exercise has established that there is a different rationale, but there is no view about whether that is a positive or negative position at this stage.

**Professor Fairley:** We did not explicitly address that in our work, but my opinion is that had we put that question to Highlands and Islands Enterprise and the LECs, they would have argued that the current situation is advantageous compared to what existed previously.

**David Mundell:** I am interested in duplication or non-duplication, particularly as you highlight the fact that similar learning content could be provided by a range of organisations. Did you find that the content was exactly the same? My experience suggests that in computing or IT, for example, there is a range of things that are not the same. Those things seem broadly similar, yet people find it difficult to know whether they are on the right course. For example, someone might find that higher computing is not necessarily the right course to do, compared with a more hands-on course. Do the different providers provide the same content or do they provide different content, but in an unfocused way that does not deliver for the person who might just have dropped into that course?

**Norma Hurley:** It is a bit of both. There are places where different providers provide virtually the same content, but have to provide it differently. One provider might be funded by new deal 18 to 24, with criteria restrictions. Another provider might be funded through the European social fund programme with social inclusion partnership funding that has criteria attached to it. Yet another provider might be funded through a lottery grant that has different funding criteria attached to it. Theoretically—but actually, in some areas—the same programme, particularly at community level, might be offered by different organisations that are funded by different sources and which target different groups. In other areas, there might be differences in the content that is provided.

Well-informed guidance needs to be made available to avoid people signing up for what they think is a basic IT course only to discover that it is an internet-access course, which is different. People who are not familiar with computers probably would not know what the differences are.

A lot of course content might be different, but the differences are indefinable unless you have knowledge of that area. There is also a lot of content that is similar, but which is funded differently and is open to different people for different reasons, which adds to the rich wealth of provision at community level.

**Elaine Thomson:** I have a further question about how people get good advice on which course to do. Are some agencies better than others at giving advice, supporting people and guiding them so that they can access training?

**Norma Hurley:** There is tremendous variation. As members will know, there are adult guidance networks all over the country. Within those networks are a number of excellent organisations—whether they be careers service organisations, local economic development agencies in Glasgow, or what they call intermediary agencies in Edinburgh. A number of good organisations operate good practice in working with individuals at local level, but it is difficult to say whether any one of them is better than the others. You will find examples of good practice across the country, but it is patchy; in some areas, there is no high-quality provision. We also have to consider the standard of adult guidance, because not everyone who gives adult guidance is a qualified guidance worker, so the quality of provision varies.

**Elaine Thomson:** It will be interesting to see what happens as careers Scotland develops.

**Norma Hurley:** Yes, it will.

**Mr Macintosh:** The impact of age-related criteria had not occurred to me before. We are all aware of the difficulty of getting older men, in particular, into lifelong learning. You suggest that the picture in relation to age-related criteria is confused, but are such criteria a barrier? It might be argued that using age-related criteria for certain courses is actually a good way of targeting certain learning programmes on certain groups. Do you feel that the confusion creates a barrier, unfairness and inequity?

**Norma Hurley:** We have not found any evidence of overt discrimination against older people in the establishment of learning programmes. However, there may be a problem in the way that the funding of particular programmes is focused. Most of the funding from the welfare to work programme and the new deal is clearly focused on younger people—one could argue that

there are good reasons for that. The problems are possibly to do with where resources are allocated; the amount of provision that is available for older people may be less than it is for younger people. The barrier is a resource barrier, rather than an age barrier.

**Professor Fairley:** I agree, and I would like to add to that answer. There are some kinds of learning in which older people prefer to study as a group without younger people present. Examples would be fitness programmes, swimming, and introductions to information technology.

**David Mundell:** When it comes to personal fitness, I certainly prefer to study on my own.

For older people, is there a provision of learning that is not directly related to work that they will subsequently take up?

**Norma Hurley:** The senior studies institute at the University of Strathclyde, which focuses on older people, is a good example. It has a number of initiatives that are focused on older people who are in work, who are returning to work, or who are changing career later in life. The institute is an example of good practice, showing what can be done to offer learning to older people and to do so in a way that suits older people.

The Workers Educational Association also operates some good projects for older people across the country, which focus on the ways in which older people want to learn and the subjects that they want to learn. There are a number of areas of activity involving older people, but we have not been able to consider—indeed, we were not asked to consider—whether there was sufficient provision to meet the demand from older people.

**Professor Fairley:** We discovered that there is not much resource or provision for older workers who have become redundant. Although there is some provision through the LECs, it is small-scale and perhaps lacks flexibility.

**The Convener:** All the research that I have read suggests that the less time someone is unemployed, the easier it is to find another job and get back into the labour market. However, in training programmes such as training for work, people have to be unemployed for six months before they qualify for a place. Are those criteria not flying in the face of the scientific evidence that suggests that we should be encouraging people to get back into the labour market well before the six or even 12 months you have to wait for a place on a course?

**Professor Fairley:** It will be interesting to evaluate the recent exemptions to that general rule. For example, in the case of major redundancies or redundancies that were caused

directly by foot-and-mouth, the six-month qualification period is dropped.

**The Convener:** This has been an extremely worthwhile, helpful and informative exercise and the report will act as a baseline document for the whole of our inquiry. It is amazing that no mapping exercise of this nature has been carried out until now and, from my reading of the conclusions, it appears that Scotland is crying out for a national tertiary education and training strategic framework. Your work makes it clear that such a strategy does not exist and, as a result, we have a hotch-potch of schemes, initiatives and programmes that have all grown historically without anyone taking a fundamental look at what is being done and why. In relation to further education, higher education, volume training and so on, is that patchwork having a detrimental effect on the ability of users of lifelong learning services to access education and training and to get the right education and training at the right time?

**Norma Hurley:** Aside from funding, on which we cannot really comment, the biggest difficulty is how to support people's progress through the different areas that are available. For example, as far as social justice targets are concerned, encouraging socially excluded people back into learning usually means starting at a local, community-based level. Those people will probably attend class a couple of afternoons a week, after which they face a fairly lengthy progression path before they end up with their degree. The linkages and support at the transition points in that path are crucial, because people could fall off at any stage, go round in circles, go to the wrong place, or lose money. A more coherent approach would support such progression and enable it to happen.

We are bad at tracking people. There are few well-developed tracking systems for learning, and better systems—combined with clearer paths and support at transition points—would all make a huge difference to consumers.

**The Convener:** This is more of an opinion than a conclusion drawn from the research, but is it fair to say that a more coherent system would reduce the overhead costs associated with the number and variety of institutions, and the amount of duplication and overlap, and free up more money for front-line services?

**Norma Hurley:** From a reading of other research, I think that better support for individuals into appropriate learning would improve the retention rate, which would mean savings and a more efficient use of funding. In that sense, such a system would help.

**Professor Fairley:** I have two comments, convener. First, in response to your previous



question, it is clear that the current system, which has grown like Topsy to some extent, differentially empowers and resources some users over others.

Secondly, on the question of institutions and overheads, there is perhaps a prior question about how we improve access in the parts of Scotland that are not well served by institutions. Our experience of merging institutions has shown that overheads are not always reduced.

**The Convener:** This has been an extremely helpful session and, on behalf of the committee, I thank you both for the research and presentation and for answering our questions so succinctly. I think that we are now about 10 minutes ahead of time.

12:15

*Meeting continued in private until 13:08.*



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