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Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 19 March 2014

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PUBLIC AUDIT COMMITTEE
5th Meeting 2014, Session 4

CONVENER

*Hugh Henry (Renfrewshire South) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Bob Doris (Glasgow) (SNP)

*James Dornan (Glasgow Cathcart) (SNP)

*Colin Keir (Edinburgh Western) (SNP)

*Ken Macintosh (Eastwood) (Lab)

Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Angela Cullen (Audit Scotland)

Caroline Gardner (Auditor General for Scotland)

Graeme Greenhill (Audit Scotland)

Gill Miller (Audit Scotland)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

Committee Room 5

Scottish Parliament

Public Audit Committee

Wednesday 19 March 2014

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Hugh Henry): Good morning. I welcome everyone to the Public Audit Committee's fifth meeting in 2014. I have received apologies from Tavish Scott.

Under item 1, do members agree to take items 3 and 4 in private?

Members *indicated agreement.*

Section 23 Report

"Modern apprenticeships"

The Convener: Item 2 is a section 23 report, "Modern apprenticeships". Caroline Gardner, the Auditor General for Scotland, is joined by Gill Miller, Angela Cullen and Graeme Greenhill.

I welcome the Auditor General and invite her to brief the committee.

Caroline Gardner (Auditor General for Scotland): Thank you, convener.

Developing the skills and employability of Scotland's workforce is one of the Scottish Government's main priorities. Young people in particular have found it difficult to find jobs since the economic downturn, and the Government's target of providing 25,000 new apprenticeship places each year is intended in part to help young people find employment opportunities. Apprenticeships also have an important role in developing the workforce skills that are needed for economic growth.

Skills Development Scotland administers modern apprenticeships on behalf of the Scottish Government, and my report focuses on SDS's role and the £75 million-worth of funding that it distributes annually to training providers to train and assess apprentices. The report assesses whether modern apprenticeships provide value for money by examining apprenticeship costs and performance information. It also looks at how well modern apprenticeships are managed and whether there is scope to make improvements and efficiencies.

I will outline our findings in four areas. First, almost 26,000 people started a modern apprenticeship in 2012-13, which is more than double the number in 2008-09. The increase follows the introduction in 2012 of a target of 25,000 new apprentices, which Skills Development Scotland has met in each of the past two years. That is a significant achievement given the uncertainty of employer demand in challenging economic circumstances.

Within the overall target of 25,000, the Scottish Government has a number of priorities. It requires SDS to maximise the number of apprenticeships for 16 to 19-year-olds in key sectors of the economy and those with qualifications at level 3 and above. The Government also requires SDS to continue to increase the number of people who complete their apprenticeship.

SDS is performing well against those priorities, although it has reported some challenges. For example, providing higher numbers of apprenticeships for 16 to 19-year-olds and

apprenticeships at higher levels is difficult. Higher levels of apprenticeships are often more appropriate for individuals with more work experience, who tend to be older employees. Prioritising apprenticeships in key sectors, and in key economic growth sectors in particular, is challenging because apprenticeships are not as well established in those sectors as they are in more traditional sectors. My report recommends that SDS should target employers in key economic growth sectors to raise their awareness of apprenticeships and to encourage them to take on apprentices.

Secondly, spending on apprenticeships increased in real terms between 2008-09 and 2012-13 from approximately £60 million to £75 million. Around 25 per cent of annual spending now goes on new apprentices, and 75 per cent is spent on apprentices in year 2 or later of their training. The Government's focus on higher levels of apprenticeships, which take longer to complete and are more expensive, may create a risk to the financial sustainability of funding 25,000 new apprenticeships each year within current budget limits. That means that SDS needs to monitor closely the funding that is required for higher levels of apprenticeships, and for those in key sectors, to assess affordability. That will be particularly important if the Government increases SDS's annual target for new apprenticeships, as recommended by the commission for developing Scotland's young workforce.

Thirdly, the Government's overall aim for modern apprenticeships is economic development. Its existing performance measures for apprenticeships do not focus on long-term outcomes such as sustainable employment or increased earnings, which means that it is difficult to measure apprenticeships' contribution to national outcomes or assess whether they are achieving the Government's aim.

My report therefore recommends that more specific long-term aims and objectives should be developed for apprenticeships, along with better outcome measures. That would make it possible to assess the extent to which modern apprenticeships provide value for money. We also recommend that the Government should monitor the long-term benefits of apprenticeships, which would allow funding to be directed to those that offer the best value to individuals, employers and the economy.

Finally, part 3 of my report focuses on SDS's administration of apprenticeships, including quality assurance arrangements and how SDS contracts with training providers to deliver apprenticeship training. We think that SDS manages the administration well, taking into account the complexities that are involved, including the

number of organisations that are involved in the design and delivery of apprenticeships. However, I make a number of recommendations to help improve administration, and I focus in particular on the need for quality assurance arrangements to be clarified and formalised in order to help identify any instances of poor-quality training and to share good practice among training providers.

My colleagues and I are, as always, happy to answer the committee's questions.

The Convener: Thank you.

It is clear that apprenticeships are vital to the long-term future of the Scottish economy. Not only are apprenticeships the right thing to do for young people, but it is in our collective interest to ensure that those young people are given a productive start in life.

However, looking at paragraph 54 on page 27 and the following paragraphs, I was puzzled and surprised that there appears to be a lack of clarity about the purpose of modern apprenticeships. That is not a recent phenomenon: the problem with the lack of clarity goes back pre-2007. You indicate in the report that

"The 2006 evaluation ... found that ... goals and objectives were not clear."

We all accept that apprenticeships are vital to the success of the Scottish economy and that young people should be given a start in life, and yet for many years—possibly 10 years or more, because the 2006 evaluation would have referred back a couple of years—we have not been clear about goals and objectives. In a sense, it is surprising and absurd that, on something so significant, the political parties in power at various times have collectively been unable to address that, and that the officials who have been responsible have not helped to bring focus to that work.

In your discussions with the Scottish Government, was there any indication as to why there is no explicit statement of the overall aim for modern apprenticeships?

Caroline Gardner: I will ask Graeme Greenhill to address that issue in a moment, because, as you can imagine, it has been the subject of a great deal of discussion between us and both the Government and SDS over the course of our work on the report.

In broad terms, you are right: we think that something is needed between the high-level objective of modern apprenticeships being there to support economic development by helping individuals and employers to develop skills that are needed for work—for sustainable employment—and the Government's priorities, which are clear enough, of focusing on

apprenticeships for 16 to 19-year-olds at level 3 and above and in key economic sectors.

We think that there is still a gap with regard to ensuring that the money that is spent—which is a significant sum; it is now £75 million a year—is converting not just into numbers of apprenticeships but into sustainable employment in the right sectors with levels of income that feed back into the economy.

It is primarily a historical issue that the gap has not been filled. It is not the only part of the Scotland performs framework on which we have reported where gaps in the plumbing and wiring between the high-level outcomes and the individual programmes need to be closed, but we think that closing the gap is important in this context.

I ask Graeme Greenhill to pick up on the question of discussions with the Government.

Graeme Greenhill (Audit Scotland): Building on what Caroline Gardner said, we think that there is a need to develop a clear performance measurement regime that would allow the long-term benefits of modern apprenticeships to be measured and to be compared with the aims and objectives of modern apprenticeships and the contribution that they make to national outcomes.

Existing performance measures are focused very much on inputs, such as the 25,000 target, and outputs, such as the proportion of people who pass their apprenticeships. There is a need to extend the existing performance measures to focus much more on outcomes such as the contribution that modern apprenticeships make to sustainable employment, as Caroline Gardner suggested.

SDS has done a certain amount of work in that regard and is beginning to look at the longer-term benefits of modern apprenticeships. Specifically, paragraph 60, on page 28, gives a little flavour of that with regard to a 2012 survey of former apprentices and what happened to them once they had qualified.

We are looking for SDS and the Scottish Government to build on that work. That is not necessarily an easy task, but it is important that we begin to address such issues. SDS and the Scottish Government will have to think about the scale, nature and frequency of monitoring work, and about the cost of doing that versus the benefits.

The Convener: Is there any indication of why there has been no focus on outcomes?

Graeme Greenhill: I do not think that we have a particularly good answer on why outcome measures have not been not developed. We would view the development of such measures as

good practice that the Scottish Government and SDS should implement.

The Convener: Is there a danger that, if you do not know why you are creating and investing in modern apprenticeships, or what the intended outcomes are, you simply fill places for the sake of it rather than for the purpose of developing individuals who will make a wider contribution to the economy?

Caroline Gardner: That is certainly a risk, which is why, for example, we looked at the difference between the number of apprenticeships that were planned in each sector at the start of the year and the number that were actually funded at the end of the year. SDS is clear that, if funding is not likely to be used in one sector, it is moved to another. In most sectors the difference is not very great, which suggests that the risk is not as big as it might be. However, with regard to ensuring that the money is being spent as well as it can be and that it could not be spent in another place, it is important that we know what we are getting for the £75 million that is spent each year, in terms of not only the number of starts and completions but the longer-term impact on individuals, employers and the economy.

The Convener: Is there any evidence that, in any sector, people who are already in employment are being rebadged as modern apprentices?

Caroline Gardner: I will ask Graeme Greenhill and Gill Miller to talk about the detail on that. The starting point of the modern apprenticeship scheme is that people must be in employment, so the fact that people are in employment and are then being trained through the modern apprenticeship scheme is not in itself a bad thing. That is another reason why it is so important that we have clarity about what we are getting for the investment.

The Convener: Perhaps I phrased my question badly. There is a difference between a modern apprenticeship and simply doing any kind of work. Is there an indication that people are doing the same job that is being rebadged as a modern apprenticeship?

Caroline Gardner: Exhibit 3 on page 14 sets out the way in which the modern apprenticeship scheme works. Just by glancing at it, one can see that it is quite a sophisticated—some might say complex—framework that must involve an element of training as well as just employment in a job. There is no scope simply to rebadge an employee as an apprentice, and in any case the employer would not benefit much from that because the training contribution goes to the training provider.

However, we say in the report that one of the gaps in quality assurance relates to the quality of workplace training. The Wood commission has

recommended that the quality assurance arrangements should be extended to look at that area, which is probably the important issue.

Graeme Greenhill looks as if he would like to add to my comments.

Graeme Greenhill: I refer members to paragraph 59 of the report. Skills Development Scotland's analysis suggests that last year, just over half

"of new apprentices had been employed for six months or less"

before starting their apprenticeship, and just under a third had been in employment

"for a year or longer"

before they started their apprenticeship.

10:15

The Convener: Is there any indication as to whether those apprentices were simply doing the same jobs that they had been doing or whether there was any element of change and added training?

Graeme Greenhill: I do not think that we have that level of detail.

Colin Keir (Edinburgh Western) (SNP): With regard to the comment about the correlation between the aims and the money that goes into the various sectors, the Scottish Government has made no shortage of information available that it wants to do more in renewables industries. Obviously, if the companies are not there at the moment, apprenticeships cannot be placed in them. Therefore, the ability to move money between sectors would always be fluid because inward investment could come on stream, particularly for higher level apprenticeships. On the aims, does that not explain quite a lot and make outcome analysis easier to an extent? I welcome the report, which is quite positive.

Caroline Gardner: What you mention is certainly one of the challenges. I said that the Scottish Government's priorities include targeting modern apprenticeships at key sectors. Within that specific priority, the Government has asked SDS to set a target of starting 500 new apprenticeships each year in the energy and low-carbon sectors. SDS does not publish performance against that target, but it told us that it met that target in 2012-13.

The challenge is, first, that information is not collected simply on the low-carbon sector, so any apprentice doing an apprenticeship in an energy company would be categorised against that target of starting 500 new apprenticeships. Secondly, many low-carbon employers have no tradition of

using apprentices—they often employ graduates instead.

SDS tells us that it is trying to build relationships with the employers in that new economic sector to help them understand how apprentices could help to meet the needs of their business and complement their graduate employment. That is another area where, given the sector's importance to the economy in the longer term, we think that it is so important to have very clear measures of what the investment has actually achieved.

Colin Beattie (Midlothian North and Musselburgh) (SNP): This is probably one of the most positive reports that I have seen, and it is to SDS's credit that the Auditor General has been so fulsome in her praise of what it has achieved—that is excellent.

The only thing that we keep coming back to is the old story of statistics and which figures can be produced that are not being produced. Auditor General, you said in your opening remarks that you felt that it would be difficult to get some of the figures together. Can you expand on that a bit so that we can better understand the sources of the figures and why it would be quite difficult to gather the figures?

Caroline Gardner: There are two elements to my recommendation. The first is about the Scottish Government itself being clearer, at the level that lies between economic development and the priorities that it has set, about what outcomes it expects as a result of the £75 million investment. Over and above having 25,000 new starts, focusing on 16 to 19-year-olds and increasing completion rates, what does the Scottish Government want to see in terms of numbers of sustainable jobs, income levels and the other things that we all think modern apprenticeships have the potential to achieve? We think that that bit of the connection between the high-level outcome and how the money is spent needs to be better articulated.

The second part of the equation is that SDS itself needs to improve the information that it routinely collects about what happens to each of those new starts—there were nearly 26,000 of them last year—as they go through their training. SDS needs to do that without making an industry of it.

For example, we know that in the higher education system across the United Kingdom, an awful lot of effort goes into collecting information about graduate destinations—about what happens to graduates. It is more difficult to collect that information for apprenticeships, given the range of employers involved, the fact that many of them are quite small employers and the fact that a wide range of different training providers are involved.

That is why the work that SDS has done so far to build on its survey data collection is important.

Also, the data really needs to tie back to that clear statement from the Government about what it wants to achieve. Without that statement, you can end up collecting a lot of data that is not germane to the main purpose of spending the money. That link between Government setting the objective and then allocating money requires a framework that involves SDS collecting the best information that it can with the sector skills councils and employers and through existing collection mechanisms, such as those of the Office for National Statistics.

Colin Beattie: I can well understand the desirability of gathering those figures and the need for that to be done, but it sounds quite a challenge, given the nature of the modern apprenticeship scheme. Determining what constitutes stable employment is, in itself, difficult. What is stable employment? Is it a job for five years or six months? There are all sorts of definitions. It would be complex to collect the data. Does SDS have the systems in place to be able to do so?

Caroline Gardner: At the moment, its systems do not collect that information routinely. It relies on occasional surveys, some of which are in place for other purposes, such as ONS data collection. We also highlight the fact that its information technology system is not as flexible as it might be in terms of allowing training providers and employers to tap into it in order to pull out the information that they need. I think that Graeme Greenhill will be able to tell you a bit more about the extent to which those gaps can be filled and the extent to which it will be difficult to do that at proportionate cost.

Graeme Greenhill: It is a difficult job, and SDS and the Scottish Government will need to think seriously about how to do it. One of the things that they might need to consider is whether an annual survey would be too expensive relative to the benefits that would derive from it, so they might want to think about having a survey every three years—for the sake of argument—with additional information gathering going on between the surveys.

Colin Beattie: It does not sound straightforward or easy to get those figures out. The Auditor General mentioned the issue of proportionate cost. Getting figures together can be extremely expensive. Has SDS given any indication of how it is responding to the challenge?

Caroline Gardner: We include some information in the report about that—you will find it in part 3. We think that SDS is being quite creative about using data that is available from its own surveys and tapping into other surveys. We also

think that it needs to take that further and be more systematic, and that that needs to be matched by the Government's articulation of what the longer-term objectives should be. To be clear, we are not saying that it is a straightforward matter or that the data should be collected for its own sake. However, we are talking about an investment of £75 million a year, with indications that costs may be under pressure if 25,000 new starts and the Government's other priorities are to be maintained. It seems to us that the work is important in terms of being able to demonstrate value for money and, more important, being able to target the money where it will give the best return for the nation.

Mary Scanlon (Highlands and Islands) (Con):

In "Learning the lessons of public body mergers", you highlighted that SDS has lost 395 staff and you made points about the contract allocation process—its being time consuming, that costs are not known and so on. Has that loss of nearly 400 staff impacted in any way on its operation?

Caroline Gardner: That report predates my time as Auditor General. Paragraph 62 of the "Modern apprenticeships" report says that the savings targets that the Government set for SDS meant significant reductions in the number of staff. We conclude that SDS is, against that reduction and the complexity of what it is being asked to do, managing modern apprenticeships pretty well. However, the loss of staff will obviously play into the challenges around balancing current demands and new demands—which include collection of better information—because people will be trying to do more with less.

Angela Cullen will add to that.

Angela Cullen (Audit Scotland): In the paragraph that Mary Scanlon mentioned, we highlight that we are aware that the role of SDS is significantly different from the roles of its predecessor organisations before the merger in 2008, in that it is much more focused on employer engagement and promotion of apprenticeships than they were.

Mary Scanlon: Thank you. That is helpful.

A figure jumped out at me. We were all used to the 10,000-ish apprenticeships in 2008-09, when the budget was £60 million and the average spend per apprentice was around £5,660. There has been a 143 per cent increase in apprenticeships, but only a 24 per cent increase in funding. If we just look at that add-on, that means that we are now down to an average spend of £993 per apprentice, through that additional £15 million for an additional 15,100 modern apprenticeships.

The convener asked about training that has already been done and which is now being

classed as level 2 apprenticeships. Paragraph 14 of the report says that

“SVQ level 2 apprenticeships were introduced in 2009/10 ... to replace the Skillseekers training programme”

and paragraph 34 says that

“60 per cent of apprentices in the hospitality sector are doing a level 2 apprenticeship”.

To follow on from what the convener said, before 2008-09 trainees in the hospitality sector were being trained under the skillseekers programme. I was a further education lecturer and know that some of them went into college, as well. Since 2008-09 that level 2 training has been called modern apprenticeships. Is that why we have been able to achieve a figure of 25,000, which includes the additional 15,000 apprenticeships for an additional £15 million.

Caroline Gardner: That is part of the reason. I will ask Graeme Greenhill to come in in a minute.

As members can imagine, we examined the falling average cost per apprentice quite closely in order to try to understand what was going on. There were two main things: the introduction of the level 2 framework to replace the old skillseekers approach and the introduction of funding for apprentices over 25, whose contribution levels are lower. I think that they work into it, but Graeme Greenhill can give members a picture of how those figures come together.

Graeme Greenhill: I am not sure that I fully followed Mary Scanlon's calculations, but I am sure that they are correct.

Mary Scanlon: An additional £15 million for about 15,000 apprenticeships works out, on my wee calculator, at £993 for each person.

Graeme Greenhill: The one thing that must be remembered is that the target refers to starts. In any year there will be apprentices who are starting and apprentices who are already in training, so they will also be attracting contribution rates and costing Skills Development Scotland money.

Paragraph 27 of the report indicates that

“the average spending per apprentice”—

that is, someone who starts in any year or who began the year already in training—

“fell ... from around £2,300 in 2008/09 to £2,100 in 2012/13.”

The main reason for that is, as Mary Scanlon suggested, that there has been quite a growth in level 2 apprentices, who tend to attract lower contribution rates. That is driving down the cost per apprentice.

Mary Scanlon: Do you understand where I am getting the figures from?

Graeme Greenhill: Yes, I do.

Mary Scanlon: The figure was £60 million for about 10,000 apprenticeships, and it is now £75 million for 25,000 apprenticeships. I am looking at the additional £15 million, which has allowed about 15,000 apprenticeships. If we take the £60 million for about 10,000 apprenticeships, that is £5,660 per apprentice. If we take the additional £15 million for around 15,000 apprentices, that is less than £1,000 per apprentice.

10:30

Graeme Greenhill: I fully understand your maths.

Mary Scanlon: Are my figures accurate?

Graeme Greenhill: Those figures arise because of the number of people already in training. The £60 million that was spent in 2008-09 does not necessarily relate to just the 10,500 apprentices who started their apprenticeships in that year. There would already be a number of apprentices in training who had started in previous years.

Mary Scanlon: That would be the case for 2012-13.

Graeme Greenhill: Exactly.

Mary Scanlon: My point is that there has been a vast increase in the number of level 2 apprenticeships. I do not have the number to hand, but as of 2012-13 level 2 apprenticeships formed 42 per cent all apprenticeships. People were trained under the skillseekers programme and those programmes are now called apprenticeships—although I welcome any kind of training. Level 2 is cheaper; as you said, some training takes six months and some takes three years, which is why we have been able to achieve an additional 15,000 apprenticeships for £15 million. The modern apprenticeship is the name that is now given to the programme that was previously called skillseekers. Has there been a net addition of training places? How many of the additional 15,000 were previously trained under the skillseekers programme?

Graeme Greenhill: We do not have expenditure data with us on the skillseekers programme, but we can come back to you with an analysis of those numbers.

Mary Scanlon: That would be helpful. Thank you.

When the colleges gave evidence, I was surprised by what Margaret Munckton from Perth College said. Audit Scotland will be more aware than anyone of the cutbacks to the college sector in recent years. I was surprised to hear that

colleges across Scotland get less than 10 per cent of SDS funding for training apprenticeships. You have been critical of employment-related outcomes, but no sector works better with employers than the college sector. I do not think that you have recommended that the college sector get a fairer share, but does that situation concern you, given that the college sector has a strong reputation and that it could, in these difficult times, link with further modern apprenticeship training?

Caroline Gardner: As you would expect, we looked at that in some detail. Our conclusion is that SDS manages the contracting process well, overall. It is trying to allocate the £75 million that is spent each year on modern apprenticeships to training providers who can match the number of required new starts at each level to the right sectors for the right age groups, and take into account the quality of provision. We did not find, in that process, problems that would have suggested either poor quality or poor value for money. However, you might want to explore that further with Skills Development Scotland in order to understand how it goes about the process. It is not something that we ended up with concerns about.

Mary Scanlon: That is fine.

Graeme Greenhill: Just to add, the 10 per cent to which Ms Scanlon referred is—

Mary Scanlon: The amount is less than 10 per cent.

Graeme Greenhill: It is where Skills Development Scotland is directly contracting with colleges. Some subcontracting goes on, as well. A good example of that might be when SDS contracts with CITB-ConstructionSkills, which is one of the sector skills councils, which will then subcontract colleges to deliver some, if not all, of the training for an individual apprentice.

Skills Development Scotland does not have a complete handle on the extent to which subcontracting is going on, but Colleges Scotland recently did a survey, to which 24 of the 32 colleges that then existed replied, and if we extrapolate the results of the survey, it comes out that between a fifth and a quarter of all apprenticeship training is delivered in part, if not wholly, by colleges.

The Convener: I want to pursue the issue of the skillseekers programme and the level 2 apprenticeships. Did Audit Scotland look at the differences between what was delivered in the skillseekers programme and what is delivered in the level 2 programme?

Caroline Gardner: I do not think that we looked at that in detail. Our starting point was the modern apprenticeships programme and the extent to

which it is set up to provide high-quality training that meets the needs of individuals, employers and the economy. We recognise that there was an element of substitution from the old skillseekers programme to modern apprenticeships, but they are not exactly the same thing.

The Convener: Although they might not be the same thing, if there is no significant difference there has, in a sense, just been a rebadging. Paragraph 34 of the report states that level 2 apprenticeships provide

“42 per cent of ... apprenticeship starts in the last two years.”

Simply to take people from the skillseekers programme and to call them modern apprenticeships is an easy way for the Government to achieve its target. Unless there is something significantly different, what is being achieved?

Caroline Gardner: We do not agree that it was a “rebadging”; it was a shift in the form of training for lower-skilled jobs. It is clear that there was a demand from employers for level 2 apprenticeships being provided in a way that was not happening previously. One of the tensions that are inherent in the Government’s current set of priorities is that for 16 to 19-year-olds level 2 apprenticeships are often more appropriate than higher-level apprenticeships. Employers in sectors such as hospitality and retail are looking for level 2 apprenticeships and not more highly skilled ones.

As I said, there was an element of substitution, but I do not think that there was a wholesale rebadging of everybody who was previously doing skillseekers training so that they then came under the badge of level 2 apprenticeships.

The Convener: When someone has completed an apprenticeship, the key issue is not that they have completed it, but the level at which they have completed it. The two things are significantly different. It is not particularly helpful if we talk about just apprenticeships, given the variation within the sector.

Caroline Gardner: That is exactly right and it is why we have tried in the report to break down differences between levels and sectors, because there is a real focus in Government policy on apprenticeships for the energy and low-carbon sectors, rather than on the retail and hospitality sectors at the lower level, and on the extent to which people of different age groups have access to apprenticeships. We tried in the report to pull together that information, as far as it is available. However, linking that information to the objectives of investment seems to us to be the next critical step in demonstrating that the programme is achieving its aims.

The Convener: Okay.

Ken Macintosh (Eastwood) (Lab): I want to pick up on the same subject, if I may. As Mary Scanlon said, all politicians support training for young people and the whole workforce. However, the issue of quality emerged a couple times in the Audit Scotland report. Does the branding of apprenticeships help those at level 2 more than the introduction of level 2 modern apprenticeships devalues higher-quality apprenticeships at level 3 and above? Does that make any sense?

Caroline Gardner: It does make sense, but I am not sure that it is a question that we, as auditors, can answer. We have demonstrated in the report that the approach to setting the modern apprenticeships framework is rigorous, that it gives a route in for younger people who can progress to higher skills levels from level 2 through to level 5, and that the arrangements for matching that to employers' needs and assuring quality work well enough.

We have made some recommendations for improving quality assurance. As long as the system is well understood, it is not devalued by having the whole range of levels within the modern apprenticeship framework. It does, however, shine a light on the remark that I made earlier about the fact that some low-carbon sector employers do not have a history of using apprenticeships and probably do not understand how they might fit alongside their common recruitment of graduates to work in that area.

It seems to be well accepted in economic development terms that overreliance on graduates is not healthy for the economy or for the workforce, so building a framework for apprentices that starts at a relatively low level and which gives people the scope to progress—depending on the sector in which they work—is a good thing. The bones of that are in place, but we think that there is room to develop further measurement of the outcomes that are associated with that, and some parts of the quality assurance regime.

Ken Macintosh: I hear what you are saying. Do people progress from level 2 apprenticeships to levels 3 and 4?

Caroline Gardner: I think that the process is different in different sectors. Graeme Greenhill and Gill Miller might be able to tell us a bit more about that.

Gill Miller (Audit Scotland): We do not have that information to hand, but we might be able to get it from SDS, if it knows what qualifications each individual at each level of apprenticeship had prior to an apprenticeship. We need to double-check that for you.

Ken Macintosh: Articulation between different levels of apprenticeship and other levels of education is important, but I am not quite sure how much it happens.

It is interesting that you repeatedly comment on the recommendations of the Wood commission about promoting level 3 and above. The importance of encouraging vocational opportunities and giving them the status that academic opportunities have is crucial to the economy and to Government objectives. You have talked about that, but you do not seem to be recommending a particular course of action.

Caroline Gardner: We have not made any such recommendation, which is probably because that is a policy question rather than an audit question. We worked closely with the findings of the interim report of the Wood commission and we reflected that in our report.

Your question is a policy question, and it is also linked to articulating more clearly the objectives of modern apprenticeships over and above the number of new starts and the priority areas. That is part of what the Government might explain when it is setting out what it expects the spending to achieve.

Ken Macintosh: Basically, it might be helpful if the Government was to state its policy more clearly.

Caroline Gardner: Yes, and to fill the gap between the high-level objective of economic development, which is the overarching purpose that the Government has set itself, and the clearly stated priorities about the numbers of new starts and 16 to 19-year-olds. There is a bit in between about what investment in those types of apprenticeships is intended to achieve, including things like articulation, and that is very much what we would expect to see, although they are policy questions and not questions for us, as auditors.

Ken Macintosh: I have a few other brief questions. I want to ask Mr Greenhill to repeat something that he said earlier. I have to say that this is a fault among politicians; we often talk about apprenticeships as if they are all new jobs. How many apprenticeships are new jobs and how many are current jobs?

Graeme Greenhill: It is difficult to say how many are specifically new jobs and how many people are starting as apprentices as a result of being in employment for a number of years. There is always the chance that someone will start a new job in the expectation that they will take up their apprenticeship, but they might not do that until they have been employed for six months or so.

I referred to paragraph 59 of our report. The tail end of that says that just over half of new

apprentices had been in employment for six months or less during 2012-13, and just under one third had been in employment for a year or longer.

Ken Macintosh: Again, to go beyond that, how many of those would be at levels 2, 3, 4, 5 or whatever?

Graeme Greenhill: I am not sure that we have that information; it might be something that we could pursue with Skills Development Scotland.

The Convener: That would be helpful.

Ken Macintosh: It is one of those things; we often talk as if new jobs are being created. There is an element of that, but I am not sure how big it is. I am also not sure whether it is a policy objective or about training.

My final question is about gender imbalance. There is a clear and on-going worry that it is difficult to tackle gender imbalance and segregation, but public money is not just furthering gender imbalance—it is encouraging gender stereotyping. The more we support modern apprenticeships, the more we support stereotyping in the workforce. You make a number of observations about how much of it still exists. Have you been able to measure change? It is a specific aim of the Government to challenge gender imbalance, but the figures that jump out from the report seem to indicate that we are going in the wrong direction.

10:45

Caroline Gardner: You are absolutely right about what is in the report. From looking at the limited figures that are available and from talking to SDS, employers and apprentices, our sense is that the policy is not so much perpetuating gender imbalance as it is reflecting the sexism that exists across society. I agree about the importance of tackling that—not least because the jobs that women tend to cluster in tend to be lower paid, less secure, and all the other things that do not help with economic growth or stable societies.

It is another area in which SDS has made improvements in engaging with employers, schools, parents, and a range of other stakeholders in order to try to shift stereotypes, but the situation will not change overnight. It might be worth exploring further with SDS what information it has about gender imbalance over time—as Ken Macintosh's question specifically mentioned—and how it is targeting efforts to shift stereotypes. The figures are very stark.

Ken Macintosh: Yes.

A number of things struck me as being unfair; for example, female apprenticeships attract far less funding. Paragraph 47 says that

“females accounted for 43 per cent of apprenticeship starts but only a third of apprenticeship spending”

which is unfair in itself. Paragraph 39 also states:

“in 2012/13, 98 per cent of new apprentices in construction were male and 97 per cent of new apprentices in children's care, learning and development were female.”

If the figures are as high as that, there cannot have been any improvement. You have suggested that there has been some improvement, but how can we have improved to reach 97 per cent and 98 per cent? That is surely no improvement whatever.

Caroline Gardner: I am not suggesting that the figures have improved, but that you might want to ask SDS about that. In part 3 of the report, we say that we have found that SDS is working hard with employers, schools, and parents and is using its website to raise awareness of the availability of non-stereotypical apprenticeships that might attract people who might not have traditionally been attracted to them. We have not yet seen the impact of that in the numbers; that is very clear.

Ken Macintosh: Tackling sexism in society is very difficult. I am just trying to work out whether we have the measurements to be able to tell whether what we are doing is working, what is working, and what is not.

Caroline Gardner: It is an important subset of the question that we were talking about earlier when we talked about needing better information to understand the impact of the spending on apprenticeships on individuals as well as on employers and the economy. The committee might want to explore that with SDS.

Bob Doris (Glasgow) (SNP): I have an aside to Mr Macintosh's questions. I chair the parliamentary cross-party group on racial equality. One of the issues that we considered a little while back was the lack of black and minority ethnic individuals coming forward for apprenticeships. I do not know whether that is covered in the Audit Scotland report, but I can tell you that when we wrote to Skills Development Scotland—*[Interruption.]*

The Convener: Excuse me. Could members please check their phones?

Ken Macintosh: I think that it is mine.

Bob Doris: It is not me this time. My apologies for earlier, convener, but my phones are now off.

Ken Macintosh: I have put mine on flight mode.

Bob Doris: I go back to Skills Development Scotland and what it is seeking to do. It acknowledged and responded to correspondence saying that it has to do more to encourage employers who are themselves black and minority ethnic to recruit. That is just one strand.

SDS is realising that, although it is not to blame for racial and gender typecasting, or racism and sexism in society, it wants to do more than reflect those realities. It wants to alter the situation. That might be helpful and Mr Macintosh might appreciate that because I have been in correspondence with him about another important matter.

Ken Macintosh: Yes.

Bob Doris: I would also like to thank my colleagues. I have learned a little more about modern apprenticeships from their lines of questioning. I have been reassured by the lines of questioning, because it seems that, although there had been fragmentation of the skills and training system in Scotland, over the past few years the modern apprenticeship programme has created a more robust and integrated framework for skills and training, which is to be welcomed. My colleagues' probing brought some of that out, which I welcome.

There seems to be a significant success story here. I am minded of what Ken Macintosh said about gender inequality, but there has been a fourfold increase in the number of women applying for apprenticeships—women now apply for 43 per cent of modern apprenticeships—and the overall number of people who start a modern apprenticeship has doubled. I also note that 92 per cent of people who complete their modern apprenticeship are employed after six months and 86 per cent of those who do not complete their modern apprenticeship are employed after six months.

When I read through the Audit Scotland report, it seems to be good-news story after good-news story. However, the report is helpful as it points out what the next steps must be. We need to ask where the employees are after one year, three years or five years. What percentage of apprentices are new starts into a job, how many of them progress in work from a low level to a medium level, or from a medium level to a high level? We need much more information on that.

We also need to know what the underpinning policy is. The Government could have a policy to get unemployed people into work through low-level apprenticeships that teach core skills. That would be an acceptable thing to do, but it could contradict the overall economic policy. There could be a tension there, and we need to know what it is.

I am learning that the Public Audit Committee is all about collecting the right kinds of information. What more information, irrespective of the Government's policies, would you be keen to see collected in the future? We want to make representations to the Government about capturing more relevant information. This is a

success story, but we cannot be complacent; we must move on to the next level and improve. What kind of information would you like to see collected?

Caroline Gardner: In a sense, you cannot answer that question without answering your prior question about what the Government's objectives are. Nobody quarrels with the focus on economic development through increasing the skills of people in work—that is clear. The Government has set priorities about the number of new starts, increasing the number of 16 to 19-year-olds, increasing the number of apprenticeships at level 3 and above, and continuing to increase completion rates.

There are tensions between those things. We talked earlier about the fact that 16 to 19-year-olds often do lower-level apprenticeships, rather than level 3 and above, and about the need for employers in some sectors to understand the benefits of apprenticeships, so that they recruit people to carry them out.

It needs to start with the Government saying what its priorities are and where it sees scope for more articulation between the benefits, such as bringing in people aged 16 to 19, who could have quite low levels of skill, with the intention that they move up through a framework to level 3 or 4 in certain sectors. Those objectives need to be there first, which would provide a basis for Skills Development Scotland to ensure that the framework is in place to let that progression take place and to collect the information to measure that it is happening.

At the moment, it is possible that more apprenticeships are starting at level 2 than would be optimal, because that is where 16 to 19-year-olds will tend to be. Those apprenticeships might not be in the priority sectors. You end up with those sorts of tensions, which means that it is hard to demonstrate that the best outcomes are coming from the money that is being spent and hard to make choices about which employers and which groups of young people should be targeted.

Bob Doris: There is information that might be useful irrespective of Government policy. I would be quite keen to know not just how many of the 26,000—or whatever it is—new apprentices who start this year complete their apprenticeship but how many are in employment after six months. I would like a future committee to be able to know where those people are in five years' time. I grant that they will drift away and that you might not be able to work out their individual stories, but people present to the workplace with tax numbers and national insurance numbers. Can systems not talk to each other? Can we not work out, for example, that 80 per cent of individuals who started an apprenticeship in 2008-09 have continued to pay

tax at level X or whatever? If departments and Governments spoke to one another, could they not find a clever way of collecting the huge amount of data that already exists out there?

Caroline Gardner: Essentially, there is such data. Again, however, that is a question for SDS, which has done a lot of work in this area. On page 29 of the report, on the recommendations about developing better performance information, we say that the things that need to be measured include

“a more skilled workforce, sustainable employment and increased earnings ... making use of existing information, including ONS’ annual labour market surveys”.

As Mr Beattie said earlier, there is a risk that you end up collecting lots of information for the sake of it because it might be useful later. I think that you need to start by being clear what is most important to you and then put in place mechanisms for collecting it. That process has developed over a long time in the higher education sector, which has been around for a very long time and has the infrastructure, but it is not in place for modern apprenticeships. We think that, given the scale of investment that is going in to modern apprenticeships and their potential importance to the economy, now is the time to build up the sense of what information is needed to ensure that the money is spent as well as it can be.

Bob Doris: That is helpful.

I have no further questions, but I will just make a comment. I am concerned to ensure that we do not create a bureaucracy in collecting information. Frankly, a lot of information might already be out there, but Government departments and institutions do not necessarily talk to one another to make best use of that information.

Gill Miller: We are aware that Skills Development Scotland is in discussions with the Department for Work and Pensions about being able to link their data together to track the employment status of former apprentices and their salary details. Perhaps you could speak to Skills Development Scotland to see how far it has progressed with that.

Bob Doris: That is really helpful. Thank you very much.

Mary Scanlon: I would like some clarity on a very good point that Bob Doris made. Paragraph 60 states that in

“SDS’s 2012 survey ... 92 per cent of respondents ... were in employment”.

What percentage of apprentices responded to the SDS survey? If it was 100 per cent, that would mean that 92 per cent were in work.

Gill Miller: It definitely was not 100 per cent, but I do not have that information to hand. However, we can check it for you.

Mary Scanlon: It was 92 per cent of those who responded.

Gill Miller: Yes.

Mary Scanlon: And the percentage who responded might be 20, 30, 40 or 50 per cent.

Gill Miller: I think that it was higher than that.

Mary Scanlon: That would be good, because we need to know that figure in order to know what the 92 per cent meant. At the moment, it almost reads that 92 per cent of all apprentices were in employment and that 70 per cent were with the same employer. However, the accurate figure would be based on the number who responded to the survey.

Caroline Gardner: Absolutely. We referred to

“92 per cent of respondents who completed their apprenticeship”.

so there are two caveats to the figure. However, we will see what the more detailed figures tell us.

Mary Scanlon: Thank you.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): The report certainly acknowledges the huge progress that has been made and the substantial achievements in the modern apprenticeship programme. However, on the issue of overall objectives, we know that the Wood commission issued its interim findings last September and that the final Wood commission recommendations are due this September. Rather than taking those as a criticism of the lack of clarity at this stage about the overall objectives, I would expect the recommendations to help shape and articulate the objectives. Is the Auditor General aware of the direction of travel in that regard and whether it will assist us in the journey towards clarifying the objectives that you mentioned earlier?

Caroline Gardner: I cannot comment on the likely recommendations of the final report in September. Obviously, we have looked closely at the interim report, and you will see that it is woven throughout our report. I would expect that, if the Government accepts the recommendations of the Wood report, that will inform the detailed objectives that we have recommended should be set. That said, the most recent strategy that covers modern apprenticeships dates from 2007, so quite a long time has passed in which the gap has not been filled between the high-level economic development aim and the detailed priorities that are directing the way in which Skills Development Scotland spends the money at the moment. It

feels to us that filling that gap is an important next step to take now.

11:00

Willie Coffey: For the long-term objectives for the modern apprenticeship programme, the Public Audit Committee's focus will principally be on affordability and value for money, and the policy direction for that. Achievability will perhaps be of interest to our other parliamentary committees. Where do you think the focus should be for this committee in trying to push the agenda forward in terms of objectives and affordability?

Caroline Gardner: That is a great question. I think that the answer is that the focus has to be on both aspects. We have been focusing to a great extent this morning on value for money and ensuring that the Government's objectives are clear enough for you to assess that over and above the broad objective of economic development. However, I do not think that it is possible to assess whether the programme is value for money, because we do not have clear enough objectives about the impact on sustainable employment and the other things that we have been talking about.

In addition, we raise a question in the report about affordability. The focus on 16 to 19-year-old apprentices on higher levels of apprenticeship means that the proportion of the total budget that is spent on new starts is currently 25 per cent and we think that that is likely to rise in the future. If the budget is to remain at £75 million, that might make it harder to achieve the 25,000 target for new starts. Both those aspects come into play because of the lack of clarity about what the objectives might be when the choices need to be made.

Willie Coffey: I think that we will be looking for the Wood commission report to help this committee to take that element forward when it comes out in September.

Could I ask you about the quality assurance messages that you put in the report? Exhibit 10 on page 34 shows that a number of organisations and bodies are involved in the quality assurance process. However, is it your message that that is a wee bit inconsistent and not formal? I can see from exhibit 10 that quite a bit of quality assurance is going on.

Caroline Gardner: I will ask Gill Miller to come in with the detail. Our view is that there is a lot going on and that some of it is formalised. There are probably two gaps, though, one of which is about the quality of workplace training that goes on, which is not formally assessed; and the other is about the quality of out-of-workplace training that is delivered by the non-FE sector outside

colleges. However, Gill can keep me straight on that.

Gill Miller: Lots of different bodies are involved in carrying out quality assurance. They mainly check that training providers have suitable staff, facilities and processes in place. Although there seems to be some informal discussions between the bodies, we believe that such arrangements could be better co-ordinated and that the bodies could probably share more information with one another about their findings. We thought that that would be useful to help identify not only any instances of poor-quality training but examples of good practice. As the Auditor General said, we found that there is currently a gap in quality assurance of the work-based element of training, because there are no formal processes in place to look at that. However, we know that the Scottish Government is aware of the problem and is thinking about how to address it.

Willie Coffey: I know that Education Scotland is working with Skills Development Scotland on doing some quality assurance on modern apprenticeship training. That information came out as a result of the interim findings of the Wood commission. There is some good work going on, but I did not see recognition of that in the report.

Caroline Gardner: I think that it is in the report. Education Scotland currently provides quality assurance of the off-workplace training that is provided by colleges. That was recognised by the Wood commission, and we welcome it. However, Education Scotland does not review the training that is provided by other training providers. As Ms Scanlon said earlier, about 90 per cent of the funding goes to non-college training, although more of the training is actually provided by colleges at the moment. There is a gap there, but it is not straightforward for Education Scotland to fill it. The Wood commission recommended that, but I think that Skills Development Scotland would like to discuss that further. However, there is a gap to be explored in more detail.

Willie Coffey: That is another strong message for the committee. I hope that we see some commentary and recommendations on that in the Wood commission report in September.

My last question is again on numbers. Do we know where in Scotland the modern apprentices are? I am always interested in whether local areas are getting their fair share. You mentioned that you have council statistics on that, but you have not put them in the report. Is that information available so that we can see where all the apprenticeships are?

Gill Miller: We do have that information.

Willie Coffey: I would not mind seeing it, if that is possible.

The Convener: Does that information show statistics for level 2 and 3 apprenticeships?

Gill Miller: I think so. I think that it breaks it down for each council area by different types of apprenticeship and by level.

The Convener: Good.

James Dornan (Glasgow Cathcart) (SNP): I am a Glasgow MSP, and I am sure that Glasgow will figure quite highly in the statistics for modern apprenticeships.

My colleague Willie Coffey has touched on some of the things that I was going to discuss. Auditor General, you said earlier that you had been in discussion with SDS about its overall aims and its priorities for the target and so on. Have you had similar discussions with the Scottish Government?

Caroline Gardner: Yes.

James Dornan: You talked earlier about the Wood commission. In your discussions with the Government, did you get the impression that it took the draft Wood commission report seriously and that it would act on the basis of what was in that report and what will be in the final report?

Caroline Gardner: I think that the Scottish Government would be surprised if I were to comment on its response to the report. I think that you need to ask it about that directly or wait for its response. However, we have certainly engaged closely with the Government and SDS to ensure that this report stands up to the committee's scrutiny.

James Dornan: I am fully confident that there will be positive outcomes from those discussions.

I listened to the contributions from Ken Macintosh and others in which there was a lot of discussion about level 2 apprenticeships. I am probably one of the few in the room who remember the old qualifying exam—the “qualy”—that pupils took when they got to a certain age in primary school to decide whether they would go to a junior secondary school or a senior secondary school. I think that we must be very careful that we do not make the level 2 appear to be a lesser qualification. It is a really important qualification. I would like to know whether there is a ladder of progression from level 2. I am sure that, for many, level 2 is spot on and will get them to what they want to do, but there might be opportunities for others who would like to progress. It would be really helpful if we could get information on that.

Caroline Gardner: I think that you are exactly right. We are in no sense looking to downplay the importance of level 2 qualifications. For some people, they are the only route in; and some employers feel that for the jobs that they have to

offer, that is the right level of training. The question is really the one that you are describing: how might level 2 qualifications provide scope for people to progress into higher-paid, more secure work in the future?

James Dornan: I have just one more question. Do larger employers often take a mix of different apprenticeship levels?

Graeme Greenhill: I do not think that we have that level of detail.

James Dornan: I suspect that it is very often sector driven. For example, the hospitality sector will want level 2 apprenticeships and the engineering sector will want higher levels. I just wondered whether some employers had a mix of levels. However, if it is difficult to get that information, it does not matter. Thank you very much.

Angela Cullen: SDS might have that information, so it might be worth asking it about that. However, we do not have the information.

James Dornan: Thank you.

The Convener: Thank you very much for your contributions on what is not only a fascinating but an extremely important topic. Irrespective of our political affiliations, we all want to do the best for young people to ensure that they get the best start in life and can make a significant contribution in their own right to the future of this country. It is a big issue, so thank you for your evidence.

11:07

Meeting continued in private until 12:14.

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