



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

### **PUBLIC AUDIT COMMITTEE**

Wednesday 28 May 2014



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**PUBLIC AUDIT COMMITTEE**  
**12<sup>th</sup> 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)

\*Bruce Crawford (Stirling) (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:**

Katie Hutton (Skills Development Scotland)

Andrew Livingstone (Skills Development Scotland)

Liam McArthur (Orkney Islands) (LD) (Committee Substitute)

Gordon McGuinness (Skills Development Scotland)

Fiona Stewart (Skills Development Scotland)

David Torrance (Kirkcaldy) (SNP) (Committee Substitute)

**CLERK TO THE COMMITTEE**

Jane Williams

**LOCATION**

The Adam Smith Room (CR5)



## Scottish Parliament

### Public Audit Committee

*Wednesday 28 May 2014*

[The Convener *opened the meeting at 09:33*]

### Decision on Taking Business in Private

**The Convener (Hugh Henry):** Good morning and welcome to the 12th meeting in 2014 of the Public Audit Committee. I have apologies from Tavish Scott and Colin Keir, and Liam McArthur and David Torrance are here as substitutes.

Before I start the meeting, I draw members' attention to an issue that James Dornan has raised with me about a report that I believe appeared in the *Sunday Herald* prior to publication of the committee's report on police reform. I remind members that the principles of the committee system in this Parliament work on the basis of confidentiality and that information relating to private reports should not be given to the media prior to their publication. If members start to provide the media with details of the contents of private reports prior to their publication, it would bring into question the whole basis on which we produce those reports. I hope that members will take that to heart. I am not suggesting that it was a member who did it, but whoever is responsible has done the committee no favours.

Agenda item 1 is a decision on taking business in private. Do members agree to take items 6 and 8 in private?

**Members** *indicated agreement.*

## Section 23 Reports

### "Modern apprenticeships"

09:34

**The Convener:** Item 2 is a section 23 report on modern apprenticeships. We have previously heard from the Auditor General for Scotland. This morning, our witnesses are Katie Hutton, deputy director, national training programmes; Fiona Stewart, head of national operations; and Gordon McGuinness, deputy director, industry and enterprise, all from Skills Development Scotland. John McCormick, senior director, development and delivery at SDS, has been taken ill and is unable to join us. He has been replaced by Andrew Livingstone, director of finance and audit. I believe that Mr Livingstone would like to make an opening statement to the committee.

**Andrew Livingstone (Skills Development Scotland):** I thank the committee for inviting us to discuss what we believe to be a positive report from Audit Scotland on the wider modern apprenticeship programme, including SDS's role in particular.

It is important to recognise that SDS's role is primarily to administer the public funding contribution and to ensure that Scottish Government priorities are met through contracting with training providers and colleges, and directly with employers across Scotland. The MA programme is demand led and is therefore dependent on the opportunities that are identified by employers. We must administer the programme so that it is responsive to employers' needs, but we must also support individual trainees. We take a lead role in the promotion of the programme to young people in particular and to employers, as was demonstrated recently by last week's highly successful Scottish apprenticeship week, which was co-ordinated by SDS and comprised more than 150 events across the country.

The report recognises key positive aspects of the programme such as our success in meeting a challenging start target of 25,000 per year, especially given the demand-led nature of the programme; the increase in the achievement rate from 67 per cent in 2008-09 to 77 per cent in 2012-13, according to the most up-to-date information; and the increased prioritisation of young people, which is reflected in the growing number of young people who are starting a modern apprenticeship. Those positive aspects have been achieved in the challenging context of the economic downturn and efficiency savings in the public and private sectors.

Nonetheless, we recognise that there is room for improvement. More needs to be done to address underrepresentation within frameworks with regard to gender, ethnicity and disability. Clearly, that is affected by societal and cultural issues that are beyond SDS, but we are committed to working with partners to effect real change and equal opportunity. We need to find opportunities for greater penetration of the programme among employers. Currently, 13 per cent of employers in Scotland are involved in the programme and we would like to increase that figure.

There are also demographic challenges. Projections suggest that the number of 16 to 24-year-olds is set to fall between now and 2022, and this might be the best time to consider widening and deepening the offer to foundation and advanced levels. Continued work to improve the efficacy of the contracting process and to facilitate a greater understanding among employers and training providers of how it works is seen to be key.

We are an organisation that seeks continuous improvement and we therefore welcome the report and its recommendations.

**The Convener:** I will start with questions on two different issues. There has been an understandable concentration on younger people. It is clear that far too many young people in this country are unemployed, and to waste their talents is a drain on the economy and a loss to the country. However, is there a danger that, in concentrating on those younger people, you are neglecting older people who want to retrain and reskill?

**Katie Hutton (Skills Development Scotland):** Andrew Livingstone has made it clear that we are responsible for administering the public funding contribution. All public funding is limited by what is available and we prioritise in line with policy, which is why the majority of our funding goes to 16 to 24-year-olds.

A lot of people are already in the workforce who are going to be there in the long-term future. We have to balance priorities and the funding that is available. Because of the recession, there has been a great deal of concentration on young people. If we had more funding, perhaps we could look at older groups. There are other approaches and we have other support. We have flexible training opportunities, with which we offer 50 per cent of training costs up to £500 per individual for up to 10 employees for companies with 100 employees or fewer, and there are other initiatives out there, too.

**The Convener:** I accept what you say about priorities and limited funding. However, I was

asking whether older people outwith that young age group are being disadvantaged. Are they being let down by the concentration on younger people or are you entirely satisfied that the offer that is available to those over the age of 24 or 25 is satisfactory?

**Katie Hutton:** I suppose that part of that question is a matter for Government policy and what will be available in the future for older groups.

**The Convener:** You are the professional; you deliver the programmes, as you have suggested to me. You, your organisation and your staff are the ones who deal with those who are unemployed and are seeking to retrain and retool. I am asking you whether that age group is being let down. From what you are experiencing, are those people being disadvantaged by the concentration on younger people?

**Gordon McGuinness (Skills Development Scotland):** The board has recently reviewed the patterns and trends of unemployment. There has been an increase in the older age group, which we will revisit at a future board meeting.

A lot of our work takes place through community planning partnerships, the majority of which have local employability partnerships. Responding to your question, convener, we would probably address it locally as well as nationally.

There is provision for older age groups in the national training programmes, and the statistics reflect that. We work with industry on how we can create different entry routes into the programme, so that there are not just traditional college routes into modern apprenticeships. We have done some very good work in the energy sector using the energy skills challenge fund to run transition courses, which can be aimed perhaps at areas in which people have been unemployed or at the armed services. It is an area that the board has reviewed and will continue to review. As I said, we will also work in partnership with our local authority partners to address issues locally.

**The Convener:** I understand that you respond locally and that the issue is local as well as national. I presume that, by responding in that way, you are able to compile statistics that are aggregated not just locally but nationally, so I come back to the question that I asked. Irrespective of what you said, is that older age group being disadvantaged or are you satisfied that everything possible is being done for it?

**Gordon McGuinness:** I do not necessarily think that people in that age group are being disadvantaged. There are opportunities to bring them back into the labour market.

The number of people in that older age group has grown. It is serviced not just by us but by the Department for Work and Pensions and the work programme. We could look to that type of programme, which could be more effective and successful. We also need to do a bit of work in partnership at local level.

I think that there has been a refocus on the younger age group and the balance of provision has probably changed in the college sector. Perhaps we could review the statistical profile of the older age group and return to the committee with it.

**The Convener:** That would be helpful. Who, then, is looking at the needs and demands of that older age group in relation to modern apprenticeships? Who has overall responsibility?

**Katie Hutton:** To undertake a modern apprenticeship, a person has to be employed. Businesses have a part to play in this by looking at their workforce's skills and needs. When you talk about the older age group, the issue is really about what businesses need, what skills are wanted in the individuals whom they employ and how we could go forward on that. Companies are a part of that, too. The overall aim of modern apprenticeships and of what we do involves a contribution to the objectives of those businesses.

09:45

**The Convener:** My second question is on high-value apprenticeships—if you would like to describe them in that way—as opposed to the gateway apprenticeships that are often available in greater numbers.

There is some evidence that, for a lot of younger people, the opportunities for apprenticeships are largely in retail, partly just because that is what is available. Do not get me wrong—I am not for a moment suggesting that we do away with high-value, high-end apprenticeships. We need to retool and reskill those who are employed in our manufacturing sector and other sectors. However, is there a danger that, in shifting the focus to that type of apprenticeship, we begin to lose focus at the end at which greater numbers of young people are engaged in modern apprenticeships, in areas such as retail?

**Katie Hutton:** We always strive to strike a balance between entry-level positions and the higher-level opportunities that are available. Some of the highest support for modern apprenticeships in the past few years has been in entry-level retail and hospitality jobs. We need to balance that as we go about our contracting process.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I want to explore the issue

of gender imbalance. Page 6 of the SDS submission gives some interesting statistics on, for example, the higher proportion of females compared with males who are going on to further and higher education. You state that that skews the number of females who are available for apprenticeships. However, there are imbalances in certain areas of modern apprenticeships. What action has been successful in overcoming the barriers to enable women to get into those areas?

**Katie Hutton:** We undertake a range of activities, and our approach is framed around three elements. One is the need to look at whether there are any structural barriers to apprenticeships, one is the need to address cultural misconceptions and the other relates to personal choice.

On structure, we have undertaken an equality impact assessment of how we operate modern apprenticeships and we cannot find any barriers in that regard. We would not tolerate such barriers anyway—there are quite a lot of women in SDS who are involved in administering modern apprenticeships. As part of our contractual requirements, we require all providers to operate equal opportunities policies. We do things such as capacity building—we are running another programme on that this year—and we have published an equality toolkit with online training materials. We have appointed a head of national training programme development, who has specific responsibility for looking at the equal opportunities angle, and we have undertaken diversity workshops with our staff.

On the cultural side, we have some specific initiatives. We have funded the Scottish Trades Union Congress to work with employers to try to spread the message. There are specific industry initiatives in our skills investment plans, and our information and communications technology manager is developing a range of workshops in ICT careers. Construction Scotland, as an industry leadership group, has a skills investment plan under which it proposes to establish a diversity and equality task force. In addition, we are sponsoring a PhD student to look at that area.

We are involved in a range of initiatives. As an example of what they have achieved, I note that there has been an increase in the proportion of female apprentices. In 2008-09, 27 per cent of apprentices were female whereas now, in 2013-14, 41 per cent are female. The biggest difference is the occupational mix, which was mentioned earlier. If we bring in certain types of occupations, we get more female participation.

The challenges lie in the high-value sectors. To illustrate my point, I add that we have been doing a lot of work with the Institute of Physics to look at the statistics that are coming through. They show

that 70 per cent of individuals in Scottish schools who are doing such highers are male and that, of the 30 per cent who are female, the 90 per cent who pass will go on to FE and HE. Therefore, we are talking about a big issue across the piece. I have read some of the academic literature on the issue and it is not as though the academics all agree on the solution. Some of them argue for single-sex schools and some argue for other things.

We have talked to our training providers in automotive engineering, for example. They make big efforts to try to attract girls but, on the figures for the last year, big providers that act as recruitment agents for businesses, in effect, have said only 3 or 4 per cent of applicants are female. That is a wider issue. We are putting a lot of effort into addressing it, but it takes a long time to change cultural values and personal choices.

**Colin Beattie:** I want to pick up on a comment that you made to ensure that I understood it. You seemed to imply that, with modern apprenticeships, females are going into less high-value jobs.

**Katie Hutton:** I am sorry; I meant to refer to higher-level skills activity, such as in engineering at level 3, for instance. I am sorry that I used the wrong term.

As members know, the Wood report mentioned the introduction of foundation apprenticeships. That might be a way of putting part of apprenticeships further down in the school system to try to generate more interest in particular subject areas among girls. The reverse is true for young boys and getting them interested in things such as care as a career. We know that that is an issue. It is about a wide range of activities by a wide range of partners. I know that FE and HE have the same issues with subject choice.

**Colin Beattie:** Where has the biggest success been in correcting gender imbalance? What has been the most successful approach?

**Katie Hutton:** As I said, if we look at the sheer numbers, it has been across the MA programme in particular. That is about the range of careers that are on offer. I think that that has been the main success.

We have done case studies, and the more case studies we can do of girls in occupations in which we would not normally find them, the better. It is a matter of getting out into the school system as well.

**Colin Beattie:** We touched on the different levels of apprenticeships. How many individuals progress from a lower to a higher-level apprenticeship? Are there plans to increase that number?

**Katie Hutton:** The progression figures were provided in Audit Scotland's supplementary submission. I think that the figure went to around 579 in 2012-13, but I cannot give members the 2013-14 figures from the Office for National Statistics and say whether they have increased again.

We encourage plans to increase that number, but it comes down to the demands of the job and whether the business wants to move someone. Let us consider retail, which the convener mentioned. Jobs in retail at level 2 are sales assistant jobs and jobs at level 3 are sales supervisor jobs. The issue would be whether the individual was deemed to be suitable to move into a supervisory role. Whether they will move is down to the demands of the business. However, we have seen an increase in progressions from level 2 to level 3 over the past three years.

**Colin Beattie:** I have a final question for clarification. What are the main differences between the skillseekers training programme and level 2 apprenticeships?

**Fiona Stewart (Skills Development Scotland):** There is a difference in the inclusion of five core skills. The skillseekers programme was merely a Scottish vocational qualification level 2 programme that was delivered in the workplace. When the skillseekers programme was phased out back in 2006—Mr Henry was perhaps in the department at that time—young people predominantly undertook level 3. The level 2 skillseekers programme has been very successful. It was built on to come up with the level 2 MA and include the core skills. They include things such as problem solving, ICT and working with others—the softer skills that employers often cite as missing from young people in the workplace. The addition of the core skills was an improvement.

**Bruce Crawford (Stirling) (SNP):** Katie Hutton mentioned the Wood report. It is quite an interesting read in relation to certain areas—in particular on the benefits of early intervention. It estimated that the annual benefits cost for 100 unemployed young people is £500,000 a year, which is a substantial sum. Do you agree that, in setting priorities in those areas, early intervention is key to keeping costs down in the long term and that, if we do not act early, the costs in the longer term will be much more significant?

**Katie Hutton:** Absolutely. Anyone who falls out of the system is a huge cost to the system. It is also a waste of talent.

We know from industries' growth and development plans that we need people to be skilled and to have clear progression pathways through the system. That also means that companies have to be clear about where the



careers are in their industry. We are working on that, too, through things like the skills investment plans.

The fewer remedial activities that we have to do in terms of developing skills, the better. If people become disengaged, it takes a while to bring them back to where they need to be in terms of developing their skills and their potential.

**Bruce Crawford:** I am also interested in how we can ensure that early intervention work—which is to ensure that we do not cause greater costs for society, later—leads on to the more highly skilled apprenticeships. I know that it is early yet, and that you are only beginning the process, but it would be useful if you could give us a feeling for how you are going to move into that higher-level skills agenda, which is about upskilling our economy for a different future.

**Katie Hutton:** We are currently planning how we can do that. One way might involve, for example, taking elements of a modern apprenticeship out of the workplace and back into the school system. That might involve taught-learning elements—for example, the performing engineering operations element. The young people could also be given more work experience as part of it, so that going into the world of work would not be such a shock because they would be used to the environment.

There is a lot of work to be done on thinking about career routes within industries and about what might be possible in the school setting so that people can be progressed into the workplace more quickly than might otherwise be the case. It helps to get people used to particular industries: people who drop out say things like, “I wanted to be a hairdresser, but I find that being on my feet and working Saturdays is not really what I want.” The earlier a person is engaged in their career, the better able they are to make choices.

**Bruce Crawford:** Obviously, much of what happens around the framework that you are talking about is driven by employers and their needs. I know that the level of support that comes from employers is significant, but I was surprised to see just how big the differential is. I understand that an engineering apprenticeship, for example, costs about £85,000 and that public funding accounts for only £9,000 of that. Therefore, as we make the transition into the higher-level skills and we increase the number of apprenticeships from 25,000 to 30,000 by 2020, I assume that a lot of that uptake will have to come from the public sector, and that there will also have to be significant support from the private sector. How do you see the contributions of the public and private sectors developing over that time? Over a five-year period, it will be important that we get the

right flow of income to support the activity in order to achieve those numbers.

**Fiona Stewart:** We need to deploy the resource effectively in the school system, together with our public funding resource. Katie Hutton mentioned performing engineering operations; if that element were to be done in school and was completed successfully, the individual who achieved that would be an extremely attractive option for an employer, because they would automatically move into year 2 of the apprenticeship. The business would benefit because it would not have to bear the costs of employment for year 1 and would instead get someone who is partially productive in year 2. The hope is that businesses that have not bought in to the apprenticeship programme will see that as an attractive option and will therefore buy in to it, which will allow us to penetrate the market to greater levels.

10:00

**Katie Hutton:** We are back to the balance of industries. Following the announcement about increasing the number of apprenticeships, we have been looking at where demand for higher-level skills will come from. We are looking at what skills investment plans, for example, say in terms of key economic growth sectors. However, the public sector, too, must step up to the mark. For instance, there are highly skilled areas in the NHS to explore in terms of achieving greater penetration. The demand will come from a mix to which all parts of Scotland's economy will contribute.

**Bruce Crawford:** During apprenticeship week last week, I visited Prudential at Craigforth in my constituency, which is beginning to increase its number of apprentices. I found Prudential's experience to be quite illuminating. It had always thought that it had to bring in more experienced people with higher-level skills, but it has learned a lot from taking on apprentices and converting many of them into full-time jobs. If a company such as Prudential is only now beginning to understand the benefits of bringing in young people and giving them skills, of getting them used to the company's culture and of developing them within the organisation, there must be a fair bit of work to be done with other employers, even in the financial sector, to make them recognise the value that they can get from taking on apprentices. We would expect the private sector to be prepared to make a bigger contribution if it is beginning to acknowledge the worth of employing apprentices.

**Fiona Stewart:** It is only recently that the insurance and financial sectors have taken on apprentices. The modern apprenticeship group has approved a number of frameworks in the past few months, including for accountancy,

professional services, insurance and banking. The sector skills councils and industry bodies are promoting the new frameworks to encourage employers to take up more apprenticeships. For example, KPMG is opening a new operation in Glasgow and is recruiting a substantial number of apprentices because it sees the value of growing its own workforce in terms of loyalty and productivity in the longer term.

**Bruce Crawford:** That is key. Prudential and other organisations are capable of significantly upskilling their workforce by their training methods and human resource development processes. That will help us to get to the higher-skilled economy that we want for the future.

**Fiona Stewart:** Companies are also promoting higher-level apprenticeships as promotion opportunities and are opening up entry-level jobs at levels 2 and 3.

**Mary Scanlon (Highlands and Islands) (Con):** I apologise for being a couple of minutes late. I am still in the routine of arriving here at 9.30 for 10.

I want to turn to people who are not in education, employment or training. On Colin Beattie's question, I think that we are all pleased about gender equality in apprenticeships, but I was surprised to find out last week that the number of males who are not in education, employment or training has fallen by 4,000 since 2011, but for the first time the number of such females has increased by 1,000. Why is that? They are surely the people whom you are there to help.

**Katie Hutton:** The group is not a homogeneous one; people who are not in education, employment or training have a variety of needs. An employability programme might for some be more appropriate than going straight into the workplace, because they need preparatory support before they can take up an opportunity.

**Mary Scanlon:** I understand that, but I want to know why there is good news for males but the figures are going in the opposite direction for females. I know the programmes that you offer; is that situation a matter of concern for you?

**Katie Hutton:** It is a matter of concern for all 32 local employability partnerships; we are partnered with every one of them on the NEET figures and on ensuring that there are opportunities for all across the piece. That is monitored locally. One of the big areas for us is development of the data hub support; we have 30 out of 32 local authorities actively engaged and inputting data so that people can be tracked and offers can be made. The fact that two are not involved at the moment is just down to technical issues, which we are working on with them. There is infrastructure in place throughout Scotland with local employability

partners to look at the offer that exists for providing support for individuals. A lot of that is down to the opportunities that are available in the local area.

**Mary Scanlon:** From your answer, all I can gauge is that there are opportunities for males—because the NEET figures for males have fallen by 4,000—but a lack of opportunities for females.

**Katie Hutton:** No. I am not saying that. What I am saying is that a range of support measures are in place. There will be opportunities across the piece. It is about what individuals want to do. For instance, more girls than males go directly into FE and HE. People make different choices, too.

**Mary Scanlon:** I understand that.

Why did modern apprenticeship starts fall by more than 400 last year and by 736 the previous year? Given that there are 29,000 NEETs, as we call them, why are modern apprenticeships falling rather than rising? I know that it is a Government target to increase modern apprenticeship starts to 30,000.

**Fiona Stewart:** It is a demand-led programme that reflects the demands of employers. Skills Development Scotland has a target of 25,000 apprenticeship places and we have met that every year since the target was set. We respond to employer demand and provide places for young people and adults in key sectors; therefore the numbers reflect the demand from employers.

**Mary Scanlon:** Can I ask about the skillseekers programme, which you talked about in response to a question from Colin Beattie? Paragraph 14 of the Audit Scotland report says:

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

That was the subject of considerable discussion at a previous meeting. How many young people aged 16 to 19 in the skillseekers programme were transferred to modern apprenticeships?

**Fiona Stewart:** None of them was transferred to a modern apprenticeship because they had started on the skillseekers programme; they completed the programme. After the programme was phased out, only new starts started on level 2 modern apprenticeships. That was the vocational qualification 2, plus the core skills.

**Mary Scanlon:** Of those who were on the skillseekers programme the year before 2009-10, how many were relabelled, if you like, as modern apprenticeships when the programme ended?

**Fiona Stewart:** They were not relabelled. Not every sector chose to have a level 2 apprenticeship, and those who had level 2 skillseekers did not automatically have approval for a level 2 apprenticeship programme. For

example, there were no entry-level jobs in engineering at level 2—they are at level 3. Employers previously used level 2 to feed in to the level 3 programme. When the level 2 apprenticeship was introduced, the engineering sector, for example, decided that it would not have that.

Social care also chose not to have level 2 apprenticeships, although it had level 2 skillseekers; childcare learning and development does not have a level 2 apprenticeship. If there is a skillseeker level 2, there will not automatically be a level 2 apprenticeship.

**Mary Scanlon:** How many people were on the skillseekers programme prior to its replacement with modern apprenticeships, as per paragraph 14 of the report?

**Katie Hutton:** I think that Audit Scotland provided the budget figures, but I cannot remember whether it provided the statistics: we will get the stats for you.

**Fiona Stewart:** I do not have the figures to hand.

**Mary Scanlon:** In the report, the Auditor General was quite critical about modern apprenticeships not being aligned to the Scottish Government's top economic growth sectors. Recently, we had a debate on the information and communication technology digital strategy, which is not in the top 10 apprenticeships, and on 8 May, we had a debate on the life sciences strategy. Out of 25,000 modern apprenticeships, just a few were in life sciences—13 in 2011-12 and 21 in 2012-13—so that was quite a critical point for the Auditor General to make.

Are you now looking at aligning modern apprenticeships with sustainable employment, good earnings and areas that the Government has targeted for economic growth? I ask because that does not seem to have been the case in the past.

**Gordon McGuinness:** We worked on and developed our skills investment plan for the life sciences sector in conjunction with the industry through LiSAB—the life sciences advisory board. The life sciences sector is probably one of the areas where the natural pattern has been to recruit at graduate level. When we introduced the modern apprenticeship programme, we worked with SEMTA—the sector skills council for science, engineering and manufacturing technologies—and employers groups. Initially, we had good uptake, which was incentivised at that time, and we had a kind of two-for-one offer where we offered a wage subsidy.

After that initial good uptake, the sector went through a challenging time, so the numbers have dropped to a level that is probably, from an

industry point of view, a wee bit more sustainable. Through the introduction of the action plan for life sciences, we are seeking to further promote the programme.

The biggest focus within the skills investment plan is probably around improving the connection between graduates within the sector and promoting internships. We have been doing some work through the Glasgow economic commission and its life sciences action group to improve representation of individuals through things such as CV competitions and sponsored internships over the summer. As regards the future workforce, I maintain that there is a heavier contribution to be made through both further and higher—but especially higher—education.

The modern apprenticeship programme can make an offer and we can put a bit of additional resource behind that in relation to the action plan. We are doing a lot of work through the science, technology, engineering and mathematics agenda to link back into the school system. That work runs across engineering, ICT and other disciplines. We are doing more promotional work in schools, so there will probably be more uptake of modern apprenticeships, but as I said, entry points into the life sciences industry are more at graduate level.

**Mary Scanlon:** We cannot talk about what will happen in the future—we can talk only about what we have in front of us. Was the Auditor General therefore right to say in her report that you have failed to synchronise modern apprenticeships with outcomes, sustainable employment and the Government's economic growth sectors?

**Katie Hutton:** I do not think that that is what the report says. The report compares modern apprenticeship starts in key sectors and economic growth sectors. However, there is a data classification issue: for instance, engineering apprenticeships are classified under key sectors, and not economic growth sectors, but obviously engineering apprenticeships support a wide range of economic growth sectors, too. We align modern apprenticeships with the key and economic growth sectors.

We have also been asked to ensure that there are entry-level opportunities within the retail sector and in other types of occupation, as the convener said, so it is always a question of balance. On increases, starts in hospitality and tourism, which is an economic growth sector, went up by nearly 700 between 2010-11 and 2012-13. Starts in the food and drink sector are up by more than 600, starts in the energy sector are up by more than 600, and starts in financial services are up by more than 80.

Gordon McGuinness talked about the challenges in the life sciences industry around

employer behaviour and the entry routes that they prefer to use. There is work to do with economic growth sectors, but we have made great inroads.

10:15

**Mary Scanlon:** The third key message on page 7 of the report says:

“The Scottish Government has set various priorities for modern apprenticeships”—

which is fair—

“but existing performance measures do not focus on long-term outcomes, such as sustainable employment.”

You have also been criticised for the fact that less than 10 per cent of the training contracts go to FE colleges. Furthermore, exhibit 10 on page 34 says:

“There are no equivalent independent reviews of the quality of training provided by other ... training providers.”

Colleges are inspected all the time by various people but independent review of many of the training providers is lacking, which brings into question the quality of the training provided. Will you take on board the comments in the report on that matter?

**Fiona Stewart:** On the number of college starts, we work very closely with colleges and value the work that they deliver for us. They bid into the process to get places in the same way that private training providers, employers and third sector organisations do, and they are judged on the same basis. We judge our training providers on the quality and number of achievements and the ability to deliver the numbers.

Unfortunately, in the past, colleges have let us down in terms of achievement and delivering the required numbers. Sometimes, they are very good at delivering taught and theoretical learning, but their engagement with employers is not always the best and employers do not necessarily go to colleges for workforce development, which is essentially what apprenticeships are. We have—

**Mary Scanlon:** Did the Auditor General get it wrong about colleges when she said:

“There are no equivalent independent reviews of the quality of training provided by other (including private) training providers”?

**Fiona Stewart:** I beg your pardon, but I am still answering the question about the provision and the number of places that we deliver through colleges.

We work directly with 23 colleges. Education Scotland inspects the part of our apprenticeship programme that is delivered through colleges, so there is an independent aspect to what colleges deliver.

We also have our own internal compliance function. We rely on the quality of the accreditation bodies; for example, the Scottish Qualifications Authority, the City and Guilds of London Institute and others provide, independent of Skills Development Scotland, a review of activity delivered through training providers. In addition, those training providers must be approved and accredited by those organisations.

**Katie Hutton:** Mary Scanlon asked whether we will take on board the comments in the report. Our point about colleges is that some are really great, while others are less great. Some really good colleges are delivering on the modern apprenticeship programme, but like any provider, there are differences in approach.

We have robust and proportionate quality assurance systems, but we recognise that we should always look to make continuous improvement. We are taking on board Audit Scotland's comments. For example, we are revising the roles of our contract management staff to ensure that they spend even more time talking to the trainees. It is worth mentioning that every time we survey modern apprentices and employers, we get high quality ratings, which is good.

We also have a supporting staff development programme, which covers quality. In addition, we are formalising arrangements with all the awarding bodies on our respective roles, plans and information sharing. We are also talking to Education Scotland and the Scottish Government about external quality assurance of off-the-job training and applying that to all the modern apprenticeship programmes. Quite a bit of work is being carried out on looking at how we might do that.

I also make it clear that, when they were set up, the apprenticeships, and the competence-based qualifications that form the heart of the apprenticeships, were not supposed to be the same as college-delivered qualifications; instead, they are about on-the-job competence being assessed and described. That has to be borne in mind in our discussions with Education Scotland about how it applies its inspection process to apprenticeships. Apprenticeships are different, and they were deliberately designed to be so. The idea behind the whole set-up, which goes back to “Towards a skills revolution”, was to make the modern apprenticeship different from what was being delivered at the time. It has to be proportionate to the type of learning that goes on.

**Mary Scanlon:** It says on page 34 of the report that there is no formal independent review of training providers who are providing on-the-job training. I have probably spoken long enough but

all I can say is that I can only go by what is in the report.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** I have the Auditor General's report in front of me and I have to say that it is one of the most positive reports that I have ever read in the seven or so years that I have served on the Public Audit Committee. I am afraid that I do not recognise some of the comments that my colleagues have offered about folk being neglected, let down or critical or about failure. The story is incredibly positive, and the Auditor General has acknowledged that in her comments in the report.

I want to pick up on some of the themes about long-term outcomes and quality that my colleague Mary Scanlon has just introduced. Where will the opportunities for further gain come from? What might we see if we look ahead and track the progress of the 25,000 or so apprentices who are in the system at the moment? Is it SDS's brief to look into the future and see how successful those apprentices are, how sustainable their employment is and how they are developing their earning capacity? Is that not part of your brief?

**Katie Hutton:** There are more data on that than there are on other forms of post-16 learning. We survey individuals six months post completion because, to be honest, it is easier to get in touch with them then. People move, their phone numbers change and so on. When we track people post 16, we get very good results: for example, 90 per cent of completers are in a job, and then we compare the figures for non-completers and so on. In the post-16 group, well over 90 per cent of those who complete a modern apprenticeship are in a job.

We also ask individuals about the effect of the modern apprenticeship on their career, whether they have changed their career or had a pay increase and so on. When we ask such impact questions in our surveys, we again get good results. Six months after completion of an apprenticeship is not a long time to be asking questions about career changes, promotions and wage rises.

The big prize in that respect is to link up with, for example, HM Revenue and Customs data, and we have been talking to the Scottish Government about how we might do that in future. However, it is really in HMRC's gift to allow access to those data. Surveys are expensive, and HMRC would be able to provide us with a great deal of coverage and enable us to track people in the long term. There is a law of diminishing returns in tracking people for surveys. We survey them again after two years, but their addresses will have changed and so on, and catching up with them is expensive.

We get good results from our six-month surveys, but there is a bigger prize to be had, and we will see how the discussions on joining up with HMRC and benefits data go.

**Willie Coffey:** Is it too early to capture that information and feed it back into the planning process to make the kind of improvements in the modern apprenticeship programme that the Auditor General was alluding to?

**Katie Hutton:** Politicians have to be patient. You want to see results very quickly. Are you prepared to wait for the five-year and 10-year results? The Auditor General has mentioned long-term outcomes, and we are measuring impacts ourselves. We are talking to Government about what that might mean with regard to longer-term measures and how we might go forward on that. As I have said, we have already started some of that work with the Government by pursuing HMRC and looking at the benefits side of things.

**Willie Coffey:** That is fantastic. I find that very encouraging.

On another theme that Mary Scanlon introduced, where are we on the broadness of quality assurance? In her report, the Auditor General said that SDS and various awarding bodies have different quality assurance procedures. Is there any worth in standardising quality assurance, or do all of those bodies bring their individual merits to the table? Given that the Auditor General seems to be pushing our thinking in that direction, what are your views on that, and where are the opportunities to make gains?

**Katie Hutton:** I think that the Auditor General mentioned that there is a different inspection regime for colleges, for which independent assurance is now given by Education Scotland. There are a number of measures in place to give quality assurance on modern apprenticeships. There are the processes that the awarding bodies use to quality assure awarding centres, and we have our quality assurance process. In developing that, we looked at the European Foundation for Quality Management model and at Education Scotland's processes, and we have built our process around that. It uses the principle of self-assessment, as the advice in the Crerar review was that quality assurance should run along those lines.

Given the Government's recent comments about wanting Education Scotland to apply independent inspection of modern apprenticeships, there will basically be a change to the self-assessment policy. We will continue with what we are doing, but we have already talked to Education Scotland about going down its inspection route for off-the-job learning, which is what we will do.

One aspect of the change is that, because most of the training is done by employers, it is a bit like saying that Education Scotland will come in and tell people who run companies how good their training is. We need an appropriate balance. All the time, people say, "You must do this and you must do that," while, on the other hand, others complain about bureaucracy. So we have to get it right. It is absolutely key that quality assurance is there, and we have processes in place, although changes are going to be made.

**Willie Coffey:** Do you find that employers are willing to engage with the whole QA process? I am familiar with the EFQM approach and other standards. Are employers moving towards that and seeing it as a useful tool? Who assesses the employers' quality of training, and do they adopt the standards that you are talking about?

**Katie Hutton:** Basically, it is the job of the training provider, college or whatever to ensure that the training arrangements fit with the nine quality standards in our quality assurance processes. One employer will give a different answer from another. Someone will say, "I'm not going to follow that route, because it is all just bureaucracy or red tape." Again, it is about striking an appropriate balance.

**Gordon McGuinness:** We need to establish a view on inspection and review and standard setting. Probably everybody who drives a car has it serviced by somebody who has gone through a modern apprenticeship programme; all gas central heating systems have probably been installed and are maintained by someone who has come through the modern apprenticeship programme; and the same applies to electricians and virtually every other trade. The standards are often set by industry bodies such as ConstructionSkills or the Scottish joint industry boards for other trades. Young people sit end tests when they complete their apprenticeship. There is a difference between inspection and review and the standards that are set across qualifications to ensure that people are competent, as Katie Hutton touched on.

**Andrew Livingstone:** Katie Hutton mentioned the SDS quality assurance framework. As it is EFQM based and is assessed, we can build it into the contracting process. More than 250 training providers, employers and colleges have signed up to undertake that process; only two are on development programmes at the moment, so the rest are compliant with the standards. As the programme is industry-led, we can make a link there, too, but there is always more that we can do.

**Willie Coffey:** I am glad to hear it. For years in this committee, we have been talking about standards in the public sector and embracing quality and continuous improvement. What you

have said encourages me that employers are willing to embrace such standards to bring up the level of competencies.

I am happy with that, convener.

**Ken Macintosh (Eastwood) (Lab):** I want to continue the same line of questioning, but first I want to ask about the Auditor General's general point that, despite the recession and a number of changes to the labour market and the number of apprentices, the overall aim of the modern apprenticeship programme has not changed since 2007. Is the main aim of the programme to serve the economy or is it to provide young people with the skills that they need to improve their employment?

**Katie Hutton:** As the Auditor General pointed out, the primary aim as identified by the Scottish Government is economic development, but within that the programme is about enabling the individual. We are clear what our overall target is: it is about giving young people opportunities and offering a balanced portfolio of provision, involving entry-level jobs as well as ones that are a bit higher skilled. We are also clear that we want to align the programme with the economic growth sectors—the key sectors in Scotland—and to tackle underrepresentation.

10:30

**Ken Macintosh:** You have touched on the fact that it is quite tricky to measure the long-term sustainable benefits of apprenticeships. However, you are trying to do so and are finding new ways of working out whether an apprenticeship improves earnings, provides sustainable employment, leads to a job and so on. Is it fair to say that the target that is absolutely clear in your mind is that of having 25,000 apprenticeships? After all, that is the political target that we all talk about. Is that, in some ways, the dominant target rather than the quality of the job, improvements in earnings and so on?

**Katie Hutton:** Setting a target based on the quality of the job, earnings and so on would make things very complicated and would be difficult to administer. Measuring such things could take 10 years, and politicians would, as I have already suggested, need to be very patient in waiting for the results to be identified.

Setting objectives can pose certain challenges. For example, having more engineering apprenticeships is good for key sectors, supports the economic growth sectors and is also really good for things such as level 3 ratios, sustainable jobs et cetera. In addition, it is good for new recruits, because the engineering industry tends to take on people who are brand new recruits. That said, it is not good for gender balance.

Conversely, in hospitality, which is also good for economic growth and is an economic growth sector, female participation in that particular occupational framework is really good, but the industry tends to take on level 2 apprentices and, as we know, the economic returns from level 2s are less than those from level 3s and so on. Different things are going on, and one thing can balance out another.

**Ken Macintosh:** I accept what you are saying. I think that the starting position of almost every party in the Parliament is that we are very proud of the apprenticeship programme and are very keen to promote it and vocational education generally. It has been seen as a success, but the fact is that when you expand programmes you will not necessarily have the same success.

As Mary Scanlon has pointed out, the fear is that by, for example, increasing the number of level 2 qualifications and subsuming the skillseekers programme into the apprenticeship programme, you might devalue apprenticeships themselves. The programme is held in high esteem but, as you know, there is clearly a difference between an engineering apprentice and a retail level 2 apprentice. We need to ensure that, when we expand a successful scheme, we make it better for everybody instead of cheapening or devaluing it. The issue is to work out how we do that, which might be a task not for you but for the Government. If the Government does not set you quality targets and focuses only on numbers, you, too, will focus only on numbers instead of quality.

**Katie Hutton:** It is not just about numbers. The Government does not just say to us, "The target is 25,000—and that's it." It is about the other things that I mentioned such as individuals, occupations and the need to balance entry-level jobs with other types of jobs. We should not forget that we have level 2 apprenticeships because industry has demanded them. Every year we survey sectors to establish what they think is the demand for the different levels and occupational areas. This year's survey results from the sector skills councils suggested a demand for 15,000 level 2 apprenticeships, but we have not contracted for that, because we are trying to balance level 3 apprenticeships, higher growth sectors and all that stuff. It is always a balancing act.

Since the recent announcement of the extra 5,000 modern apprenticeship starts by 2020, there has been quite a lot of emphasis on their being higher level apprenticeships and so on. That tension is always there, but given the demand from the industry and individuals for entry-level jobs, we always try to strike a balance.

**Ken Macintosh:** The question that the Auditor General has flagged up is how that can be audited. How do you demonstrate to the

Parliament in numbers and through targets that you have delivered not only on numbers but on quality? How can you guarantee quality?

**Katie Hutton:** One indication is whether people are still in jobs after they complete their apprenticeship, and our statistics show that, overall, the vast majority are still in jobs.

**Ken Macintosh:** But that figure is not reported, is it?

**Katie Hutton:** The figure is out there. We have published it—it is in the outcomes survey.

**Ken Macintosh:** I could be wrong, but I think that we had to ask for that.

**Katie Hutton:** No. It has been on our website for ages. The post-completion outcomes are out there, and they, too, are tracked. We will soon be starting the preparatory work for another survey towards the end of this financial year. The fact is that we cannot pester employers all the time; after all, they might have been spoken to the previous week. Everybody surveys them, and an appropriate balance must be struck.

Modern apprenticeships form a big part of SDS's customer research and evaluation plan, which is about tracking what value we get, what people think about quality and whether they are satisfied with the level of services that they receive. That is the answer. If we get the link-up with HMRC on benefits data, we can, for example, track what happens later on with earnings.

**Gordon McGuinness:** As our submission indicates, this is a co-investment programme. It is not a giveaway from the SDS or Government to businesses; it is all about co-investment.

I do not think that businesses would keep coming back to the table if the approach was not working for them. We have already seen in engineering and construction the costs that businesses will submit to in developing young people. That is one indicator that customers are happy and understand the type of investment that they are making—an investment, I point out, that they are continuing to make.

Yesterday, I spoke to Graeme Ogilvy from ConstructionSkills, who highlighted the very good example of developments at the Southern general hospital. He had worked with an industry group because of the amount of drywalling that was required not only on that project but on other large projects, and a level 2 qualification was developed and signed off for a trade that has developed because of modern building technology. The main contractor there took on an extra 20 apprentices. Previously there probably would not have been a structured training programme or that type of opportunity.

We are getting more intelligence through our work with the sectors, and we need to think about not only the demand for new jobs but the replacement demand for jobs. SELECT—the Electrical Contractors Association of Scotland—has already identified probably 900 skilled electricians who are leaving the sector because they are retiring, moving into other sectors or emigrating. Currently, between 450 to 500 are coming into the sector. Those are important barometers. The only way to become an electrician in Scotland is through the programme, which is one of the highest-quality programmes anywhere in the world for the sector, and we need to factor in such important points when we contract.

The same can be seen in engineering. One of the biggest challenges for us is to work with employers to make them more aware of the demographic challenge that we face with an ageing workforce and the fact that they need to invest in developing new talent to come through and substitute for that.

We need to take into account a whole range of things, but we are getting positive signs back from industry that the programmes are working for it, too.

**Ken Macintosh:** That is very encouraging, but the point that the committee is concerned about and which the Auditor General has flagged up is how we capture that feedback and anecdotal as well as measurable evidence in ways that might help your organisation and individuals. For example, spend on each of the apprenticeship programmes clearly varies. Can you track the value of the different spends? If a level 2 apprenticeship costs X hundreds of pounds compared with X thousands of pounds for a level 4 apprenticeship or whatever, can you demonstrate the value of that spend? Are there any figures or outcome measurements in that respect?

**Fiona Stewart:** From a previous survey, we know that every pound of the public purse that is spent levers in £8.88 from employers and other sources. We know that, overall, our public investment levers in a substantial contribution.

The contribution rates that we pay from the public purse are the minimum that it is possible to pay to encourage training. We need to balance public investment against market failure, and we strive to get the best value that we can for the public purse. This year, we carried out a review of our contributions and released phase 1 of that review in this contracting year. It showed that the longer frameworks that contain more teaching and off-the-job learning attract a higher premium than those where all the training is delivered by the employer in the workplace and the training provider goes in to assess competency rather than

deliver training. However, we continually strive to get best value.

**Ken Macintosh:** I hear what you are saying. You have echoed Gordon McGuinness's point that employers are quite happy to make their contribution, and clearly things are working in that sense. However, there is quite a disparity in the funding that is available at different levels, and the question that I am trying to work out is how you measure best value. If the programme is demand-led, the public subsidy might be less if demand increases. That is one measure, but it is not necessarily the best way to use the money.

**Katie Hutton:** We also use proxy measures, but we need to remember that there are about 80 frameworks. If you can conduct a survey and get robust levels for 80 frameworks, you are a better person than I am. That sort of approach is also very expensive.

Instead, we look at broad occupational groupings and ask whether they are more likely to train existing staff or to take on new recruits. That tells us something about where more investment should go if one of the key objectives is about getting new opportunities for people. We look at three different age groups for our contribution rate, and more money goes to the younger age group at level 3 because we know from economic evidence that such investment gives higher returns.

**Ken Macintosh:** So you have evidence for level 3.

**Katie Hutton:** There are stacks of evidence out there about level 3.

**Ken Macintosh:** But you do not have evidence for the other aspects.

**Katie Hutton:** If you think about it, it is all relative, is it not? We have known for a long time that there are higher returns for the individual and the state at level 3-plus, but that does not mean that we should not be giving opportunities at level 2 for individuals to start in the workplace. As I have said, we are trying to balance so many aspects in order to meet the objectives.

We can use a variety of proxy measures to look at value in the programme. One of the things that we are doing with the Government on the back of the Auditor General's recommendations is to look at what we should be measuring more. We already do a lot in that regard, but I am sure that we can do more.

**Liam McArthur (Orkney Islands) (LD):** I apologise because I am going to jump back to points that were raised earlier. I listened with interest to the point that you made in response to Willie Coffey about tracking outcomes and the benefits that could be derived from data sharing



with HMRC. I understand that benefits could be gained from that, but it sets alarm bells ringing for me if we are harvesting and sharing data of that nature. I do not necessarily expect a response to that point, but I want to put on the record that such data sharing is not without its difficulties.

On the point that Colin Beattie pursued, I listened with interest to what Katie Hutton said about the work that is being done to achieve more of a gender balance in particular sectors. During apprenticeship week last week, Bruce Crawford and I visited a female stonemason apprentice in Orkney, Sophie Turner, who has four-year apprenticeship support from Orkney Islands Council, Historic Scotland and the Construction Industry Training Board, which is excellent. It was interesting to hear that it had never occurred to her previously that she could do an apprenticeship. She had got a university degree and was casting around for something to do next, so she came to the notion of an apprenticeship very late. Some of what Katie Hutton just referred to might address that kind of situation.

There has been some publicity around that apprentice's work at St Magnus cathedral, but it was clear to me that she had not had any real engagement with local schools to speak directly to those who might follow in her wake. I see that as a huge missed opportunity, not least because of how engaging she is and the story that she has to tell about how she became an apprentice. All the things that you have talked about sound, on the face of it, very reasonable and broad ranging, but we are missing a trick if we are not using more fully an example such as that apprentice.

10:45

**Katie Hutton:** Sorry—I could go on at length about what we do. One big thing that I forgot to mention is the promotion that we do through the school system. We have careers coaches in schools who deal with tackling gender stereotypes. The partner zone of the My World of Work website contains materials, case studies and so on for teachers to use in schools. Perhaps the individual whom you mention did not get that material, but I assure the committee that there is a lot of emphasis on tackling stereotypes.

Work in that area is also done by many other organisations, such as the Scotland women in technology group. We have done a lot to promote apprenticeships as an offer along with everything else.

The Wood commission's interim report discusses issues to do with parity of esteem and the need to ensure that work-based learning is viewed in the same light as further and higher

education. It is a big challenge, but we do a lot on the promotional side.

**Liam McArthur:** In the case of Sophie Turner, I am not trying to turn back the clock and say, "This should have been picked up earlier." However, it provides an example of where things have not necessarily worked in the past. The work that you have just set out is being done now, and appears to be directed at trying to address that issue. I am saying that the example of Sophie, and the excellent apprenticeship that she has embarked on, is not being used in schools. Rather than having something on the My World of Work website or in information packs that are given to teachers or careers advisers, you could let young people speak directly to her, as she can give a far more compelling story about the benefits of what she is doing. That seems to be a missed opportunity.

**Katie Hutton:** I totally agree that case studies are the way forward. We capitalise on any case studies, and we used a lot of them during the Scottish apprenticeship week. There will be another apprenticeship week in November—for which we will be seeking your support—that will focus on individuals, which will be a new departure for us. It is a big part of our efforts to capture the imaginations of individuals. I agree that the more we use case studies of people who have been through apprenticeships and can tell others what it is like, the more we can capitalise on those aspects.

**Fiona Stewart:** We also have an ambassador programme that capitalises on young people who are ambassadors for the apprenticeship programme. Young people identify themselves and are identified through case studies, and are promoted as ambassadors who go into schools and youth groups, and anywhere that young people are, to promote apprenticeships. SDS had some input to the Scottish Youth Parliament not so long ago to promote apprenticeships to young people.

We also use employers as ambassadors. We have only 13 per cent penetration of businesses in Scotland, so we rely heavily on word of mouth and employers saying, "This is a great programme, and here are the benefits that I have derived from it."

As well as what we are doing through My World of Work and through Gordon McGuinness and the industry managers, we have individuals out there going to business associations and breakfast meetings, and doing two minutes on how good it is to have an apprentice. We have active promotion through individuals and employers, but there is always room for improvement.

**Liam McArthur:** Finally, following up on the line of questioning that Ken Mackintosh pursued on the variation in the type of support that is available, it strikes me that, in areas such as the Highlands and Islands, those who are returning to the workforce tend to be slightly older. That has been a problem given that, until now, the focus has been on 16 to 19-year-olds in particular. In addition, delivering the course element of the apprenticeship can be more costly in rural areas—Sophie Turner is a good example, as she is doing the coursework down in Elgin.

Are those issues reflected in the support that SDS provides across the board, or is there a menu of support that is linked either to new opportunities or to skilling someone who is already in work, whether that is at level 2 or level 3? My concern is that the provision of support does not fully reflect the specific challenges that employers or individuals in rural communities face in comparison with their counterparts in cities.

**Fiona Stewart:** That is a huge challenge. When we reviewed the contribution rates that we pay, we looked at geography, but such a system would be hugely difficult to administer, because the funding is attached to an individual. If an individual moves to a different employer, that employer could be located in a different area, so the girl from Orkney could finish her apprenticeship in Edinburgh, because a better job comes up there. We support travel and subsistence for individuals who are in training in the rural areas, particularly in the Highlands and Islands. We also provide support for employers, particularly small employers, who would face huge cost barriers, even just in relation to travel and accommodation. We provide additional support for those areas.

**Liam McArthur:** That is helpful. I make a plea that, whatever other evaluations you carry out, it is key that you evaluate whether the fact that there is not more of a reflection of those additional costs is an inhibitor.

**Bruce Crawford:** I have a quick question about statistics, evaluation, data and performance measures. We are asking you to drill down and down but, at its simplest, your job is to ensure that an apprentice has the skills to get a job and that they keep that job. The committee, the Parliament, the Government and the Auditor General impose a lot of burdens on you. To what extent do the burdens that relate to the provision of information get in the way of doing your job?

**Katie Hutton:** It would be nice to receive fewer MSP inquiries. From day to day, we get many demands for information. We are trying to publish as much information as we can, so that we can just refer you to it, instead of having to go back and forth. I make that plea on behalf of colleagues in relation to all the inquiries that we receive.

There is a law of diminishing returns in drilling down. I could bring with me one of my colleagues who is an expert in customer research and evaluation, in which sample sizes are important. It is possible to annoy people by phoning them up to ask what they think about this and that. It is always necessary to pitch things appropriately. I make a plea for fewer of the same inquiries, because we get many questions that we were asked the previous week or the week before that. That would be nice.

**Bruce Crawford:** We have asked you lots of questions, including on evaluation and data. Do you know how much you are spending on collecting all that data and information? What worries me is that whatever you spend on that is not being spent on apprenticeships.

**Katie Hutton:** I am sorry, but I do not have a figure for that.

**James Dornan (Glasgow Cathcart) (SNP):** I share the view expressed by my colleague Willie Coffey—it is a great report. I also agree with what Ken Mackintosh and others have said about the great job that modern apprenticeships do.

Ken Mackintosh touched on an issue that I wanted to ask about—the process of reviewing how modern apprenticeships have been working. He asked about the extent to which the quality of the training impacts on the individuals concerned at the end of the process. You said that you contact apprentices six months after their apprenticeship has come to an end. I can understand why you do that, but is that not too short a period of time for them to have moved up in the company as a result of the training that they got in the modern apprenticeship programme?

**Katie Hutton:** That is something that we pick up. From memory, 67 per cent of the apprentices whom we contacted had had a promotion or had been given more responsibilities, so it is possible to pick up progress after six months, although it could take longer than that. Six months is also the period that HE uses. I know that no such information is available for FE at the moment, but work is being done to gather information on outcomes from the money that it spends. The period could be extended, but if it was a year, it would be harder to find the people concerned to contact them. Again, it is a matter of pitching things correctly.

**James Dornan:** To be fair, if you are saying that 67 per cent of apprentices give a positive response after six months, that probably suggests that six months is a suitable period.

It has been said throughout the discussion, which I have found extremely valuable, that modern apprenticeships are industry led. Fiona Stewart talked about encouraging employers to

take part. Could you provide more detail on what SDS does to get employers to take part? After all, without the participation of employers, there would be no modern apprenticeship programme.

**Fiona Stewart:** We use our network of training providers, who are our front face for employers and individuals who are already in training or are considering training. Those training providers promote the programme. In many cases, employers go directly to the training providers, because the quality of delivery is excellent and they have a very good reputation. Particular employers like to use particular training providers. We also use our industry managers and our employer engagement team to demonstrate the benefits of apprenticeships.

It is not just our organisation; our partner organisations, the enterprise agencies, also drum up interest in apprenticeships and tell people about the benefits. If Scottish Enterprise and Highlands and Islands Enterprise are dealing with, for example, inward investment companies or companies that are expanding, they will always have apprenticeships in their kitbag. Apprenticeships are a very good way of developing the workforce and getting new recruits in for inward investment companies or companies that are expanding.

We do a lot ourselves and local authorities also promote the benefits. Most recently, local authorities have provided recruitment incentives. They have been encouraging employers not just to take on young people with no training but to take on young people with training through apprenticeships. In that way they have been expanding the reach of apprenticeships.

However, there is a lot of room for improvement and we are not resting on our laurels. I sit on a couple of cross-party groups in the Parliament and I know that MSPs are very keen to promote the benefits of apprenticeships. We often get inquiries from MSPs about supporting businesses in their local area that they have had some contact with, and we follow up all those, which is great.

**Katie Hutton:** The big set-piece event is Scottish apprenticeship week, at which we had more than 140 events and something like 25 MSPs involved. We also had business breakfasts during apprenticeship week. We had one on engineering in North Ayrshire last week, trying to get more engineering companies in the area involved. We have a wide variety of activities.

**James Dornan:** Those will be the sort of inquiries that you like.

**Fiona Stewart:** Yes. [*Laughter.*]

**James Dornan:** Are you struggling to get into any particular part of industry? I cannot remember

the percentage of industry that you said takes part, but there are many businesses that do not.

**Fiona Stewart:** Thirteen per cent of businesses take part. As time progresses, new frameworks come on board. As I explained earlier, we now have insurance and banking, and professional services—which are consultancy services around accounting—and auditing has just come on.

We need to promote the new frameworks to parts of industry that may not realise that they are there. The role of sector skills councils in Scotland is not just to develop frameworks and present them for approval; it is also about their promotion and encouraging employers in their sector, from microbusinesses through to large employers, to take up the mantle and use apprenticeships in their workforce development and training.

**Gordon McGuinness:** A huge number of businesses in Scotland are microbusinesses and sole traders. About a year and a half ago, the Federation of Small Businesses undertook a study of the challenges to businesses' recruitment. A lot of our services and partners reflected on that and on the need for a more proactive support mechanism. The business gateway used European structural funds to provide more advice about employment legislation and assistance to companies to recruit. There is a whole programme of work attached to that.

We worked with the Federation of Small Businesses, the Scottish Council for Development and Industry and the chambers of commerce to develop the our skillsforce website, which brings together all offers from local authorities, us and Jobcentre Plus. That has a callback facility, so if an employer is looking for support, they can easily drop an email into the system or contact the service desk, and we will arrange to go out and talk them through the process, and connect them with partners where that is appropriate if a wage subsidy proposition is available to them. We have tried to open up as much access to the information and service as we can. As Fiona Stewart said, we can always do more. At the end of the day, businesses are busy running the business and sometimes they do not take enough time to pause and put a structured plan in place. There is a range of mechanisms to support them in that.

11:00

**James Dornan:** I would have thought—and you might just have confirmed it—that small businesses are the most difficult to get into. Do you find that there is a growing realisation of the service?

**Gordon McGuinness:** There is a nervousness about making a commitment, and that should not be underestimated. For example, does an

electrical contractor have a sufficiently robust programme of future work to make a three-and-a-half-year commitment to a young person? Those are the issues that play on people's minds.

We have recently completed a big piece of work on the creative industries in which many people are self-employed and do portfolio work. They do not just have a single job; they will do different pieces of work. That makes it difficult for employers in such sectors to induct a young person, or first employee, and bring them into their business. Those are some of the challenges that we face, and we are trying to work creatively with Government around potential structures such as shared apprenticeships that might make that easier, but we want to maintain the integrity of the employed status model.

**The Convener:** I thank you for your input to this morning's committee meeting. I do not think that anyone underestimates the challenges that SDS has faced in recent years. We also recognise the vital contribution that SDS makes to giving young people, as well as older people, a future, and to helping to develop their skills to the full. Thank you for what you have given us this morning. Thank you for the work that you do. I know that the organisation has the support of members of the Parliament.

### **"Renewable Energy"**

**The Convener:** For item 3, members will have correspondence from the Scottish Government in response to the Auditor General's report on renewable energy. Does anyone have any comments to make?

**Bruce Crawford:** There is talk of setting up an energy skills investment plan in due course. The committee will need to know from the Government where all that is going.

**The Convener:** We could write to the Government to ask for further information if you wish.

**Bruce Crawford:** We should ask that, when the energy skills investment plan becomes available, it should reflect back on the work that has been done earlier.

**The Convener:** It will come back to the committee, so I suggest that, at this point, we note the correspondence.

**Bruce Crawford:** If it is coming back to us, that is fine.

## **Public Audit Committee Report**

### **"Scotland's colleges 2013"**

**The Convener:** Under item 4, we have a response from the Scottish Government on the report on Scotland's colleges. Are there any comments?

**Willie Coffey:** You will note the Auditor General's comments that her next report is due to be published in early 2015. She mentioned that a couple of times in response to the points that we raised. Perhaps the best opportunity for us to pick up further on the colleges report will be at that point.

**The Convener:** One comment was:

"The Scottish Government expects the SFC to fund colleges in line with the outcome agreements they negotiate: we do not, therefore, expect colleges to transfer significant amounts of public funds to ALFs."

The *Times Education Supplement Scotland* has been doing an investigation, and I think that it identified a substantial figure running into the millions of pounds. It would be helpful to have clarified exactly how much has been put into the arm's-length foundations. We can certainly ask the Scottish Government to follow that up later on, but it would be helpful to have information just now about how much is currently going into those foundations. I am not quite sure what the definition of "significant" is in this context, and that is one of the areas that concerns many people.

**Bruce Crawford:** I agree. We should get to the facts of the matter on that. A statement was made and we need to establish whether the amount of public funds is significant.

**The Convener:** Do we agree to write to the Scottish Government to ask for clarification and for the up-to-date figure? We will hold the item until we get a response.

**Members indicated agreement.**

## Annual Report

**The Convener:** That takes us to item 6, which is in private.

11:05

**The Convener:** Do we agree to publish the annual report?

**Members** *indicated agreement.*

11:06

*Meeting continued in private until 12:17.*



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