ENTERPRISE AND CULTURE COMMITTEE

7th Meeting, 2003 (Session 2)

Tuesday, 28 October 2003

The Committee will meet at 2 pm in Committee Room 1, Committee Chambers.

1. Scottish Solutions Inquiry: The Committee will take evidence from Professor Sir Graham Hills, former Principal of the University of Strathclyde on its Scottish Solutions inquiry.

   Not before 2.45pm

2. Budget Process: The Committee will take evidence from-

   Mr Frank McAveety MSP, Minister for Tourism, Culture and Sport;

   accompanied by:
   John Mason, Head of Tourism, Culture and Sport Group, Scottish Executive;
   Donna Bell, Team Leader, Finance, Education, Enterprise and Lifelong Learning, Scottish Executive;
   Laura Petrie, Director of Finance, Historic Scotland;

   on the Scottish Executive’s 2004/05 budget proposals.

3. Scottish Solutions Inquiry: The Committee will take evidence from-

   Tom Kelly, Chief Executive, Association of Scottish Colleges;

   Janet Lowe, Principal, Lauder College;

   Professor Thomas Wilson, Principal, Glasgow College of Building and Printing;

   on its Scottish Solutions inquiry.

Simon Watkins
Clerk to the Committee
Room 2.7, Committee Chambers
Ext. 0131 348 5207
The following meeting papers are enclosed:

**Agenda Item 1**
Submission from Professor Sir Graham Hills EC/S2/03/07/1

**Agenda Item 2**
Cover Paper EC/S2/03/07/2
SPICE briefing paper EC/S2/03/07/3
Extract from Scottish Executive Draft Budget 2004-05 (paper copy only) EC/S2/03/07/4

*The Draft Budget is available online at:*

Paper from Professor Arthur Midwinter on the Draft Budget EC/S2/03/07/5
Guidance from Professor Arthur Midwinter on the Draft Budget EC/S2/03/07/6

**Agenda Item 3**
Submission from the Association of Scottish Colleges EC/S2/03/07/7

*The Committee’s webpage is available online at:*
http://www.scottish.parliament.uk/enterprise/index.htm
Enterprise and Culture Committee

Meeting 28 October 2003

Scottish Solutions Inquiry:
Submission from Professor Sir Graham Hills

The submission from Professor Sir Graham Hills, formerly Principal and Vice-Chancellor of the University of Strathclyde, is attached. Professor Sir Graham has also drawn the attention of the Committee to a letter published in The Times on 20 October 2003, a hard copy of which is appended to the submission.

This letter is available online at www.timesonline.co.uk

Simon Watkins
Clerk
The Vexed Question of Fees; a common sense solution

The arguments for and against fees will continue to cause political mayhem. The current arguments cannot and will not be resolved unless their basis is changed. All of the existing proposals from all of the political parties will cause aggro to the students and the universities as well as opprobrium to the government.

The remedy for this impasse is embarrassingly simple and fair to all. It was the customary system of financing universities that obtained until the 1960s whereby the subsidy of the universities was channelled through the students. Every student gaining admission automatically qualified for a mandatory grant, scholarship or bursary. This was the main source of income for Higher Education. The students were grateful, the universities could plan their income and the government took all the credit.

This is the way forward. It is fair to all and offers encouragement to students and universities alike.

The value of this basic scholarship would be the same for all students regardless of age, subject and university. It would be sufficient to pay for three-year undergraduate course as envisaged in the new Foundation Degrees. For the first time there would be a level playing field for all students.

At the same time an affordable maintenance grant could be reinstated in the form of a safety net for students from poor families.

Expensive universities wishing to charge more expensive fees would be free to do so.

Specialist professional subjects such as medicine, law, engineering and accountancy would entail (as in most other countries) postgraduate courses with fees to be paid out of work experience, graduate apprenticeships, internships and instructorships.

The value of the universal undergraduate bursary would be a political matter for government to decide. The sum total of all such fees should not exceed the present vote for Higher and Further Education. The government would therefore exert a macroscopic but not a microscopic interest in the outcome.

The universities would once again be free to follow their inclinations and to satisfy their student, professional and industrial customers.
Giving customer rights to all students would be the biggest incentive for both universities and students to perform well. The same would be true for Further Education as for Higher Education.

This would immediately bring peace to this otherwise quarrelsome issue. For all three parties, students, universities and government, it would be win-win-win. It would be a historic watershed for Britain.

Is there a catch? No.

Graham Hills
22 October 2003
Introduction

The Draft Budget 2004-05 was published in September 2003. The Enterprise and Culture Committee is responsible for scrutinising the Enterprise and Lifelong Learning budget, and the Tourism, Culture and Sport budgets. This meeting will focus on the Tourism, Culture and Sport budget and the Minister for Tourism, Culture and Sport will attend the Committee meeting to give evidence.

Papers

To assist members in scrutinising the budget, the following papers have been attached:

- a SPICE paper giving an overview of the sections of the budget relevant to the Committee’s remit (EC/S2/03/07/3)
- the Tourism, Culture and Sport section of the Draft Budget 2004-05 (EC/S2/03/07/4)
- a paper from Professor Arthur Midwinter, Adviser to the Finance Committee, giving an overview of the Draft Budget 2004-05 (EC/S2/03/07/5)
- guidance for subject committees from Professor Arthur Midwinter (EC/S2/03/07/6)

Members should note that the papers from Professor Midwinter were prepared using an earlier version of the Draft Budget, so there may be some minor changes.

Scrutiny process

A draft report on both this budget and the Enterprise and Lifelong Learning budget will be brought to members for consideration on 4 November. A summary of the recommendations of the previous Education, Culture and Sport Committee’s report on Stage 2 of the 2003-04 budget is attached to this paper as Annex A. Relevant recommendations from the Enterprise and Lifelong Learning Committee’s Report on the Future of Scottish Tourism are also at Annex A.
Recommendation

Members are invited to:

- scrutinise the draft budget proposals for 2004-05
- identify issues to be included in a draft report.

Alasdair Morgan
Convener
Annex A

Recommendations on Stage 2 2003-04 draft budget

- The Committee recommends that a short-life working group be established to draw up a model for the future of museums, after considering the results of the current consultation.

- The Committee considers that a framework for the funding of the Arts should be developed as greater security of funding and a longer term vision are required.

- The Committee recommends that Historic Scotland’s grants budget be kept under review in light of recent underspend.

Extracted from the Education, Culture and Sport Committee’s report, published 15 November 2002

Recommendations on Tourism

Attracting New Direct Air Services

7. It is apparent from the research commissioned by the Committee that a critical factor in the success of competitor destinations has been the attraction of new air links. The Committee concludes that the Executive’s new Route Development Fund appears to meet a clear need and potentially represents a sensible investment in terms of the return it may bring. The Committee welcomes the creation of the Fund [paragraph 202].

8. Further, the Committee recommends that an assessment be undertaken by VisitScotland and the enterprise agencies to positively identify the opportunities offered by Scottish airports to attract direct flights and the low cost carriers. This assessment should then be used to develop a national strategy, and these opportunities pursued. The development of a strategy might also help to reinforce the potential economic viability of such routes to interested airlines [paragraph 203].

9. The Committee recommends the establishment of a marketing fund by VisitScotland, matched by funding from the airlines, to offer full year promotion of Scotland [paragraph 206].

10. In addition, the Committee recommends that VisitScotland works together with the low cost carriers to ensure that marketing of Scotland is intensified in those new destinations which open up with the establishment of direct flights to Scotland [paragraph 207].

11. The Committee recommends that the Minister for Enterprise, Transport and Lifelong Learning aids Highlands and Islands Airport Limited in renegotiating its PFI arrangements because of its impact in constraining growth at Inverness airport [paragraph 213].
The Executive’s Strategy and Targets

12. The Committee recommends that the Tourism Steering Group through the mechanism of its Annual Report updates the 2000 tourism strategy to include specific actions and targets on low cost airlines, and the response to major events such as foot-and-mouth disease and 11 September 2001 [paragraph 371].

13. The Committee recommends that the Scottish Executive set specific targets for VisitScotland in relation to attracting international and domestic tourists and revises the 11 headline targets set in the 2000 tourism strategy in light of the change in methodology used to collect these figures [paragraph 304].

14. The Committee recommends that VisitScotland improve the impact assessment of its activities. In particular it should undertake research to determine its direct impact on tourism, and should consider employing the methodology used by the British Tourist Authority (BTA) to evaluate the effectiveness of its marketing. This will also ensure consistency of research across the UK and will enable benchmarking of specific marketing campaigns across the UK (and create best practice examples) [paragraph 315].

15. The Committee recommends that the Executive commission a thorough independent evaluation of impact of the additional £4.75 million provided to combat the effects of foot-and-mouth disease on tourism [paragraph 369].

This paper provides a summary and analysis of the Enterprise & Lifelong Learning and Tourism Culture and Sport aspects of the Scottish Executive’s Draft Budget 2004-05. It has been produced to assist the Enterprise and Culture Committee in its scrutiny of the Draft Budget 2004-05 at stage 2.
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THIS YEAR’S BUDGET PROCESS

Due to the Parliamentary election in May of this year, the budget process for 2004-05 has been truncated. In practical terms, this means that scrutiny of the Executive’s spending plans for financial year 2004-05 has moved directly to stage 2 following the publication of Draft Budget 2004-05 (Scottish Executive, 2003b). For further information on the budget process, see SPICe Briefing 03-24, Guide to the Scottish Budget – Subject Profile.

The Draft Budget 2004-05 does not include the allocation of money via End-Year Flexibility (EYF) although the Draft Budget does state that £34.40m of EYF money will be allocated to the Enterprise and Lifelong Learning (ELL) budget and £0.60m to the Tourism, Culture and Sport (TCS) budget (Scottish Executive, 2003b, p7). This represents 7.8% of total EYF money (this year, £441m) being allocated to ELL and 0.14% of total EYF money being allocated to TCS.

The Minister for Finance and Public Services made no specific mention in his speech to Parliament as to how these extra funds to the ELL and TCS budgets will be allocated. The incorporation of EYF monies into the ELL and TCS budgets will result in changes to the figures from those published in the Draft Budget. Committee members may wish to obtain evidence from the Scottish Executive regarding allocation of EYF monies within the ELL and TCS budgets.

BUDGETARY STRUCTURE

The Enterprise and Culture Committee remit covers two main budget portfolios: Enterprise and Lifelong Learning; and Tourism, Culture and Sport. Draft Budget 2004-05 plans Total Managed Expenditure (TME) for ELL to be £2,351.29m in 2003-04, rising to 2,561.60m in 2005-06 – this represents an increase of 8.9%. The Total Managed Expenditure (TME) for TCS in 2003-04 is planned to be £206.06m rising to £265.38m in 2005-06, representing an increase of 28.8%.

The Enterprise and Lifelong Learning portfolio covers eight level 2 programmes:

- Student Awards Agency for Scotland (SAAS) – this covers spending on tuition fees, grants and bursaries, student loan subsidies, and Student Loans Company administration costs
- Scottish Higher Education Funding Council (SHEFC) – this provides funding for education and research in 20 higher education institutions
- Scottish Further Education Funding Council (SFEFC) – this provides financial support to Scotland’s 46 further education colleges, but not the Scottish Agricultural College or the North Atlantic Fisheries College which are funded by the Environment and Rural Affairs Department
- Scottish Enterprise – Scottish Enterprise is funded to advance the aims set out by the Scottish Executive in a Smart, Successful Scotland and its budget covers spending on the main projects outlined in that document: “growing business,” “global connections” and “skills and learning”
- Highlands and Islands Enterprise (HIE) – HIE is funded to promote economic and social development in the Highland and Islands of Scotland, and its budget covers “growing businesses,” promoting “global connections,” promoting “learning and skills” and “strengthening communities”
- Regional Selective Assistance – is designed to assist companies’ investment projects in the assisted areas of Scotland
• Enterprise and Lifelong Learning Other – covers a number of projects including “Learndirect Scotland,” “Energy Efficiency,” “Scottish Renewables Obligation,” “Innovation Support,” “Scottish Qualifications Authority” and “improving transitions to education, training and employment”

• European Structural Funds – the Scottish Executive have devolved responsibility for implementing European Structural Funds programmes in Scotland, and the spending covers schemes like the European Social Fund, the European Regional Development Fund, and the non-scheme elements of the European Agricultural Guarantee and Guidance Fund

The Tourism, Culture and Sport spending plans are divided into six level 2 components of expenditure: VisitScotland, National Institutions, the Scottish Arts Council, Other Arts, sportscotland and Historic Scotland. The Draft Budget 2003-04 outlines the Executive’s aims for “what the Budget does” for Tourism, Culture and Sport. The overarching aim is:

to enhance everyone’s quality of life in Scotland through widening participation in sport and culture and building on a successful and sustainable tourism sector to create jobs and opportunity (Draft Budget 2003-04, p 53).

KEY TRENDS IN DRAFT BUDGET PLANS

ENTERPRISE AND LIFELONG LEARNING

The current spending plans for ELL are outlined in tables 1 and 2 below.

Table 1: Level 2 Enterprise and Lifelong Learning Spending Plans (£m)

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
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<tbody>
<tr>
<td>Student Awards Agency for Scotland</td>
<td>360.35</td>
<td>370.31</td>
<td>371.27</td>
</tr>
<tr>
<td>Scottish Higher Education Funding Council</td>
<td>737.52</td>
<td>781.57</td>
<td>815.61</td>
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<td>Scottish Further Education Funding Council</td>
<td>428.45</td>
<td>465.45</td>
<td>503.45</td>
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<tr>
<td>Scottish Enterprise</td>
<td>461.2</td>
<td>448.7</td>
<td>440.7</td>
</tr>
<tr>
<td>Highlands and Islands Enterprise</td>
<td>91.55</td>
<td>92.05</td>
<td>92.05</td>
</tr>
<tr>
<td>Regional Selective Assistance</td>
<td>43.21</td>
<td>40.21</td>
<td>48.21</td>
</tr>
<tr>
<td>&quot;Other&quot; Enterprise and Lifelong Learning</td>
<td>90.51</td>
<td>119.31</td>
<td>151.81</td>
</tr>
</tbody>
</table>

European Structural Funds

<p>| | | | |</p>
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<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
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<tr>
<td>Central government expenditure</td>
<td>86.9</td>
<td>83.95</td>
<td>82.9</td>
</tr>
<tr>
<td>Central government support to local authorities</td>
<td>51.6</td>
<td>62.8</td>
<td>55.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2351.29</strong></td>
<td><strong>2464.35</strong></td>
<td><strong>2561.6</strong></td>
</tr>
</tbody>
</table>

Source: Scottish Executive, 2003b
Table 2: Level 2 Enterprise and Lifelong Learning Spending Plans in REAL TERMS at 2003-04 prices (£m)

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Awards Agency for Scotland</td>
<td>360.35</td>
<td>361.28</td>
<td>353.38</td>
</tr>
<tr>
<td>Scottish Higher Education Funding Council</td>
<td>737.52</td>
<td>762.51</td>
<td>776.31</td>
</tr>
<tr>
<td>Scottish Further Education Funding Council</td>
<td>428.45</td>
<td>454.1</td>
<td>479.19</td>
</tr>
<tr>
<td>Scottish Enterprise</td>
<td>461.2</td>
<td>437.76</td>
<td>419.46</td>
</tr>
<tr>
<td>Highlands and Islands Enterprise</td>
<td>91.55</td>
<td>89.8</td>
<td>87.61</td>
</tr>
<tr>
<td>Regional Selective Assistance</td>
<td>43.21</td>
<td>39.23</td>
<td>45.89</td>
</tr>
<tr>
<td>&quot;Other&quot; Enterprise and Lifelong Learning</td>
<td>90.51</td>
<td>116.4</td>
<td>144.49</td>
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<tr>
<td><strong>European Structural Funds</strong></td>
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<tr>
<td>Central government expenditure</td>
<td>86.9</td>
<td>81.9</td>
<td>78.91</td>
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<tr>
<td>Central government support to local authorities</td>
<td>51.6</td>
<td>61.27</td>
<td>52.92</td>
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<tr>
<td><strong>Total</strong></td>
<td>2351.29</td>
<td>2404.25</td>
<td>2438.16</td>
</tr>
</tbody>
</table>

Source: Scottish Executive, 2003b

- Over the planning period, the Enterprise and Lifelong Learning budget will grow by 3.7% in **real terms**
- This compares with a 7.3% **real terms increase** in the Total Managed Expenditure of the Scottish Executive over the planning period
- Over the planning period, the ELL **share** of the budget will decrease from 10.33% in 2003-04 to 9.99% in 2005-06
- The biggest increases **within** the ELL budget are: **other enterprise and lifelong learning** which will grow by 59.64% in real terms, **Scottish Further Education Funding Council** which will grow by 11.84% in real terms, **Regional Selective Assistance** which will grow by 6.20% in real terms and **Scottish Higher Education Funding Council** which will grow by 5.26% in real terms
- The budget of the **Student Awards Agency** will decrease by 1.93% in real terms, **Highlands and Islands Enterprise** will have their budget reduced by 4.30% and the **Scottish Enterprise** budget will decrease by 9.05%
- **European Structural Funds** stemming from “Central Government expenditure” will decrease by 9.19% and “Central government support to local authorities” will increase by 2.56%

Given that the Executive **Partnership Agreement** states that “growing the economy is our top priority,” (Scottish Executive 2003a, p6) the Committee may want to ask the minister why the ELL budget will increase at a lower rate than Total Managed Expenditure over the planning period. The Committee may also wish to seek an explanation from the Minister for the real terms decrease in the Scottish Enterprise and Highlands and Islands Enterprise budgets over the planning period.
TOURISM, CULTURE AND SPORT

The current spending plans for TCS are outlined in tables 3 and 4 below.

Table 3: Level 2 Tourism, Culture and Sport Spending Plans (£m)

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>VisitScotland</td>
<td>31.76</td>
<td>33.77</td>
<td>36.77</td>
</tr>
<tr>
<td>National institutions</td>
<td>58.86</td>
<td>60.43</td>
<td>62.23</td>
</tr>
<tr>
<td>Scottish Arts Council</td>
<td>36.42</td>
<td>41.87</td>
<td>43.67</td>
</tr>
<tr>
<td>Other arts</td>
<td>26.34</td>
<td>28.7</td>
<td>34.2</td>
</tr>
<tr>
<td>sportscotland</td>
<td>15.39</td>
<td>28.51</td>
<td>46.61</td>
</tr>
<tr>
<td>Historic Scotland</td>
<td>37.29</td>
<td>39.7</td>
<td>41.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>206.06</strong></td>
<td><strong>232.98</strong></td>
<td><strong>265.38</strong></td>
</tr>
</tbody>
</table>

Source: Scottish Executive, 2003b

Table 4: Level 2 Tourism, Culture and Sport Spending Plans in REAL TERMS at 2003-04 prices (£m)

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>VisitScotland</td>
<td>31.76</td>
<td>32.95</td>
<td>35</td>
</tr>
<tr>
<td>National institutions</td>
<td>58.86</td>
<td>58.96</td>
<td>59.23</td>
</tr>
<tr>
<td>Scottish Arts Council</td>
<td>36.42</td>
<td>40.85</td>
<td>41.57</td>
</tr>
<tr>
<td>Other arts</td>
<td>26.34</td>
<td>28</td>
<td>32.55</td>
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<td>sportscotland</td>
<td>15.39</td>
<td>27.81</td>
<td>44.36</td>
</tr>
<tr>
<td>Historic Scotland</td>
<td>37.29</td>
<td>38.73</td>
<td>39.88</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>206.06</strong></td>
<td><strong>227.3</strong></td>
<td><strong>252.59</strong></td>
</tr>
</tbody>
</table>

Source: Scottish Executive, 2003b

- Over the planning period, the TCS budget will increase by 22.58% in real terms, substantially higher than the planned 7.3% real terms increase in Total Managed Expenditure of the Scottish Executive
- Over the same period, the TCS share of the Scottish Budget will increase from 0.91% to 1.03%
- All aspect of the TCS are set to increase, with the largest increases going to sportscotland whose budget will increase by 188.24% from £15m to £44m, other arts whose budget will increase by 34.97% and a 14.14% increase in the Scottish Arts Council budget

“OTHER” ENTERPRISE AND LIFELONG LEARNING

At its meeting on 9 September 2003, the Enterprise and Culture committee agreed to “focus its evidence session for Stage 2 of the 2004/05 budget process on the ‘Other’ category of spending within Enterprise and Lifelong Learning” (from meeting minutes). As is mentioned above, the Draft Budget 2004-05 shows that the “Other” ELL budget is set to increase from £90.51m to £151.81m over the planning period, representing an increase of 59.64% in real terms.
Table 5 provides more detailed categories of spending for the Other ELL budget, and it reveals that the areas with the largest increases in spending are Education Maintenance Allowance, Enterprise in Education and Miscellaneous.

Table 5: Level 3 Other Enterprise and Lifelong Learning spending plans (£m)

<table>
<thead>
<tr>
<th>Category</th>
<th>2003-04</th>
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<th>2005-06</th>
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<tr>
<td>Education Maintenance Allowance</td>
<td>5</td>
<td>13</td>
<td>31</td>
</tr>
<tr>
<td>Learn Direct Scotland</td>
<td>8.4</td>
<td>8.65</td>
<td>8.9</td>
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<tr>
<td>Energy efficiency</td>
<td>6.1</td>
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<tr>
<td>Renewable energy</td>
<td>1</td>
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<tr>
<td>Renewable Obligations (Scotland) (SRO)</td>
<td>18.9</td>
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<tr>
<td>Innovation support</td>
<td>7.43</td>
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<td>7.8</td>
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<tr>
<td>New initiatives</td>
<td>4.5</td>
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<td>Research</td>
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<tr>
<td>Royal Society of Edinburgh</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
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<tr>
<td>Digital inclusion</td>
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<td>0</td>
</tr>
<tr>
<td>Scottish Qualifications Authority</td>
<td>1.5</td>
<td>1.55</td>
<td>1.6</td>
</tr>
<tr>
<td>Scottish Credit and Qualifications Framework</td>
<td>0.5</td>
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<td>Enterprise in education</td>
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<td>13</td>
<td>22</td>
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<td>Beattie Inclusiveness</td>
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<td>1.68</td>
<td>1.88</td>
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<td>Adult literacy and numeracy</td>
<td>2.35</td>
<td>2.95</td>
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<td>Scottish Union Learning Fund</td>
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<td>Sector Skills Council</td>
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<td>Export Partnership</td>
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<td>HQ and training grants</td>
<td>0.44</td>
<td>0.64</td>
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</tr>
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<td><strong>90.51</strong></td>
<td><strong>119.31</strong></td>
<td><strong>151.81</strong></td>
</tr>
</tbody>
</table>

Source: Scottish Executive, 2003b, p118

The Draft Budget documents outline what each of the headings is responsible for attaining (pp118-120), and makes a statement of priorities (p120), but there is no costing of these priorities, making them difficult to monitor. These are issues that members may wish to raise with the Minister.

**BUDGETARY ISSUES**

This section summarises the concerns expressed by the Committee in last year’s process. These were:

- Whilst looking at expenditure allocated to Scottish Enterprise, the Committee was concerned that the amount of funding released back into the budget from the business transformation project, and the budgetary headings into which these funds had been diverted, was not presented as clearly as it could have been. The Committee recommended that its successor ensure that future budgets present such details in a transparent manner
The Committee recommended that future budgets should provide clear information on policy-driven **cross-cutting** budgets, to enable members to scrutinise policy drivers as well as departmental spend.

The Committee requested additional information on the Executive’s analysis of the scale and impact of the loss of **European Structural Funds**, and the measures proposed within the ELL budget to alleviate this impact.

The committee may wish to consider whether these issues have been adequately addressed in the *Draft Budget 2004-05* document.

**OBJECTIVES AND TARGETS**

The ELL budget portfolio lists 8 Objectives and 14 Targets (pp 95-96) and the TCS portfolio has 6 Objectives and 9 Targets (pp 59-60). In addition individual agencies and NDPBs have their own targets for service delivery, for example, “process 50% of applications within 12 days of receipt” (SAAS), or in support of organisational objectives, for example, the number of FTE students in HE institutions 2004-05 is planned to be 133,350 (SHEFC). The supporting text also describes a number of smaller programmes, for example, "a pilot training course in leadership skills for head teachers" (p97).

As with most government programmes it is easier to quantify inputs and express these in money terms than it is to quantify and value outputs. The Committee may wish to consider whether the Budget document provides adequate quantification of outputs and progress towards desired outcomes.

**POLICY DEVELOPMENTS – BUDGETARY IMPLICATIONS**

The Executive’s *Partnership Agreement* stated that “growing the economy is our top priority” (Scottish Executive 2003a p6). The Enterprise and Culture Committee may wish to assess whether the budget documents allow for effective measurement of the priorities outlined by the Executive in the Partnership Agreement (*Partnership Agreement*, p6-7). For example:

- Has the Executive placed enough emphasis on cross-cutting priorities in their expenditure proposals?
- Is it clear in the draft budget where the money to meet targets and outputs will come from?
- How useful are the targets set out by the Executive in the partnership agreement and also in the Draft Budget 2004-05? In particular, are they measurable and do they provide a mechanism to monitor performance and aid accountability?

In looking at the *Draft Budget 2004-05*, the Committee may also want to think about the Budget in the context of their inquiry into Higher Education funding, and indeed the other policy priorities the Committee have outlined in their Work Programme. Do the spending priorities of the Executive’s Budget documents reflect the collective priorities of the Committee?
REFERENCES


Enterprise and Culture Committee

Meeting 28 October 2003

Draft Budget 2004-05

The relevant section of the Draft Budget 2004-05 is attached.

Simon Watkins
Clerk
Introduction
1. The Draft Budget for 2004-05 has a number of stylistic changes which bring a tighter focus to the presentation of information, and greater consistency across departments than the 2003-04 report.

2. The five functional priorities – health, education, crime, transport and jobs – receive little attention. The Draft Budget refers to BABS as “setting out the priorities for each budget area”, and emphasising “the Executive’s commitment to cross-cutting issues such as closing the opportunity gap, sustainable development, and equality”. This appears to infer that the ‘peoples priorities’ refer to their own programme objectives and priorities, rather than being political priorities for resource allocation. The Finance Committee last year took the view that the Executive had too many priorities to be meaningful as a guide to budget decisions.

3. There are sections in each portfolio on opportunity, sustainability and equality. However, the first two tend to be discussed in the form of statements of policy and practice, rather than as specific items with costs which contribute directly to these broad priorities. Equality, by contrast, provides a more useful model in that it highlights specific funding decisions which target equality groups.

4. The Draft Budget also reports a change in the cost of capital charges under RAB, from 6% to 3.5%. This may make sense in terms of accounting theory, but it further disrupts the time series of spending data – making four different price bases in use since 1999 – which makes monitoring performance and priorities problematic.

5. EYF funding is presented separately, to assist comparisons with 2003-04. This is consistent with a previous agreement between the Minister and the Committee. Moreover, transparency is further enhanced by the absence of cumulative accounting from the document.

6. The description of the methodology for accounting for changes over the Spending Review period is consistent with the commitment made by the Deputy Minister last year over this issue – to set these out clearly in resource
terms. Moreover, the proposals for using new resources are set out in a discrete section as the Committee requested. The chapter framework is:

- objectives and targets
- spending plans 2003-06
- what the budget does
- portfolio priorities
- new resources
- closing the opportunity gap
- sustainable development
- equality
- level 2 programmes
- performance

Budget Trends and Priorities
7. The Draft Budget reports a change to the provision under Resource Accounting and Budgeting to the cost of capital charges, thereby reducing budget provision for this in contrast with last year’s Draft Budget – but as it also states – this change does not effect the Executive’s actual cash expenditure on its programmes. However, it can effect changes in departmental shares of the Budget at the margins, and makes strict comparisons with last year’s documents impossible. I have, therefore, simply calculated the increases using 2003-04 as the baseline year. The Scottish Budget will grow by 12.3% over two years, and as the Executive is assuming inflation of 2.5% pa, this confirms the trend in real terms identified last year.

8. In terms of budget portfolios, the major programme increases are in education and young people, tourism, culture and sport, health and community care, and transport – all receiving above average increases – whilst justice, communities, enterprise and lifelong learning; and finance and public services all receive below average increases. This seems somewhat inconsistent with the stated priorities (Table One).

9. Comparisons are complicated by the block allocation system for local government. In Table Two, I set out the spending provision for the major services by local government, and this provides average increases for education and police, and below average for roads. Once the roads GAE is added to the transport budget, then the increase falls to 11%, just below average. The low increase for communities also seems inconsistent with making closing the opportunity gap a spending priority.

10. Finally, the low increase for enterprise and lifelong learning – which mainly funds tertiary education, training, and economic development – seems inconsistent with the renewed emphasis on economic growth – even though the Minister states that the spending plans will help create the conditions for improved economic growth. In the light of our Dunkeld discussions, I have
examined the balance of capital to operating expenditure. These figures show an increase over last year's Draft Budget, which will grow from £1580 millions to £1645 millions by 2005-06, or 4.1%. Last year, the growth over the Spending Review period was in line with the overall rate of budgetary growth, but the lower rate of growth in this budget may reflect the additional funding provided for 2003-04 or £143 millions over SR2002 plans. Members should also note that payments under PPP are broadly stable over the period, an issue which concerned the Committee in the first term.

11. The report also announces additional funding of £328 millions, from accounting changes to the arrangements for council housing transfers and an over provision for appeals in Non-Domestic Rate Income (NDRI). These sums will be spread over three years. The full announcement over EYF will explain this further, and be dealt with at that time.

Issues for discussion by Members

- the need for clarification over Executive priorities, and possible ranking;
- the low increases for Justice, ELL and Communities budgets;
- the balance of capital to revenue spending;
- the problem of linking objectives and targets with budgets;
- the handling of crosscutting issues;
- the ‘new resources' allocations;
- the practice of highlighting staffing changes from an equalities perspective in the administration portfolio.
- any other strategic issues.

Professor Arthur Midwinter
<table>
<thead>
<tr>
<th>Portfolio</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Justice</td>
<td>10.0</td>
</tr>
<tr>
<td>2. COPFS</td>
<td>5.2</td>
</tr>
<tr>
<td>3. Education and Young People</td>
<td>44.4</td>
</tr>
<tr>
<td>4. Tourism, Culture and Sport</td>
<td>28.8</td>
</tr>
<tr>
<td>5. Health and Community Care</td>
<td>17.6</td>
</tr>
<tr>
<td>6. Food Standards Agency</td>
<td>59.0</td>
</tr>
<tr>
<td>7. Enterprise and Lifelong Learning</td>
<td>8.9</td>
</tr>
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<td>8. Communities</td>
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<td>9. Transport</td>
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<td>10. Environment and Rural Development</td>
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<td>12. Capital Modernisation Fund</td>
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<tr>
<td>13. Administration</td>
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<td>14. Scottish Parliament and Audit Scotland</td>
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<tr>
<td>15. Contingency Fund</td>
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**Total Budget**  
+12.3
### Table 2: GAE Provision for Key Services (£m)

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<th>Service</th>
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<tr>
<td>Education</td>
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</tr>
<tr>
<td>Social Work</td>
<td>1629</td>
<td>1740</td>
<td>1815</td>
</tr>
<tr>
<td>Police</td>
<td>889</td>
<td>938</td>
<td>998</td>
</tr>
<tr>
<td>Fire</td>
<td>233</td>
<td>248</td>
<td>262</td>
</tr>
<tr>
<td>Roads and Transport</td>
<td>426</td>
<td>442</td>
<td>458</td>
</tr>
<tr>
<td>Leisure and Recreation</td>
<td>269</td>
<td>280</td>
<td>291</td>
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<tr>
<td>Miscellaneous</td>
<td>850</td>
<td>790</td>
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<td><strong>Total GAE</strong></td>
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<td><strong>8124</strong></td>
<td><strong>8492</strong></td>
</tr>
<tr>
<td>Category</td>
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<tr>
<td>1. Justice</td>
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<td>2. COPFS</td>
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<tr>
<td>3. Education and Young People</td>
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<td>4. Tourism, Culture and Sport</td>
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</tr>
<tr>
<td>5. Health and Community Care</td>
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<td>32.0</td>
</tr>
<tr>
<td>6. Food Standards Agency</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7. Enterprise and Lifelong Learning</td>
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<td>10.0</td>
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<tr>
<td>8. Communities</td>
<td>15.0</td>
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</tr>
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<td>9. Transport</td>
<td>5.0</td>
<td>36.7</td>
<td>43.0</td>
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<td>10. Environment and Rural</td>
<td>8.6</td>
<td>9.4</td>
<td>9.4</td>
</tr>
<tr>
<td>11. Finance and Public Services</td>
<td>62.6</td>
<td>36.1</td>
<td>41.2</td>
</tr>
<tr>
<td>12. Administration</td>
<td>-</td>
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<td>-</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>124.7</strong></td>
<td><strong>172.6</strong></td>
<td><strong>274.3</strong></td>
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1. The budget process this year has been truncated because of the May elections. There has been no Annual Expenditure Report, although Committees had some opportunity to discuss strategic priorities prior to the 2002 Spending Review.

2. This means that no spending recommendations have been made at Stage One for Ministers to consider, and that as this is the midway point between Spending Reviews, there is only limited scope for adjusting the budget at the margins. There is, therefore, no need to ask for spending recommendations in the event of additional funding becoming available, as last year. Rather, the Committees should consider whether the pattern of expenditure within its portfolio is acceptable, or whether it wishes to recommend transfers between programme budgets.

3. Thirdly, it appears from messages emerging from the Treasury that next year’s Spending Review will bring the first tight settlement since devolution. The Finance Committee, therefore, advises the subject committees to be forensic in their questioning of Ministers, with a view to obtaining the best available supplementary evidence on the financial and policy assumptions underpinning the draft budget, so that they can begin to develop a systematic and rigorous ranking of their own spending priorities for the Spending Review 2004.

4. With these comments in mind, the Finance Committee would welcome responses from the subject committees on the undernoted key questions:
   a) Is the committee satisfied that any outstanding issues from last year have been addressed in the budget proposals (where appropriate)?
   b) Is the committee content with the additional funding proposals made by the Executive under the Partnership Agreement, or would it suggest alternative uses of such funding? (This relates to the new resources section.)
   c) Does the committee wish to recommend a spending priority for use of unallocated EYF funding in its portfolio?
   d) Does the committee wish to recommend any specific changes to programme budgets within the portfolio. If so, where should
programmes be increased, and where should compensatory reductions be made?

e) Does the committee feel that the portfolio priorities are appropriate and are reflected in the budget proposals?

f) Is the committee satisfied with the performance information contained in the chapter, and does it feel that the links between aims, budgets and targets are properly integrated?

g) Does the committee have any comment on the sections covering the cross-cutting issues of closing the opportunity gap; sustainable development and equality?

h) Further to the above, each chapter contains a new section of specific initiatives under equality. Does the Equal Opportunities Committee have a view on the utility of the information in this section, and does it wish to make any comments or recommendations regarding specific spending proposals to enhance equality?

Professor Arthur Midwinter
September 2003
Enterprise and Culture Committee

Meeting 28 October 2003

Scottish Solutions Inquiry:
Submission from the Association of Scottish Colleges

The submission from the Association of Scottish Colleges is attached. Members have received separately, as part of the full written evidence, a briefing from ASC on higher education provision in further education colleges.

Simon Watkins
Clerk
ASC's RESPONSE TO THE ENTERPRISE AND CULTURE COMMITTEE’S INQUIRY INTO THE IMPACT OF ENGLAND’S UNIVERSITY FEES ON SCOTTISH HIGHER EDUCATION

September 2003
SCOTTISH PARLIAMENT - ENTERPRISE AND CULTURE COMMITTEE

Impact Of England’s Policy For Higher Education On Scotland’s Colleges Of Further Education

Submission by the Association of Scottish Colleges to the "Scottish Solutions" Inquiry

1. ASC welcomes the opportunity to contribute to the Committee’s Inquiry. Scotland’s system of higher education is a major and justly prized asset. FE Colleges make a much-increased contribution to learning opportunities for students and high quality teaching particularly for HNC and HND courses.

2. We believe that it is vital that this Inquiry - as well as Phase 3 of the Scottish Executive’s Review of Higher Education - should consider HE provision in both higher education institutions (mainly universities) and the FE Colleges.

3. Earlier evidence to the committee has drawn attention to a lack of information on the HE provision in colleges. We are also submitting a Background Brief setting out facts and figures on HE provision in FE Colleges in Scotland as well as points of reference to what is proposed in England for comparable provision.

Issues for the Inquiry

4. The call for evidence highlights the Committees’ interest in the issue of competitiveness of HE provision in Scotland with that in other countries, principally England. FE Colleges provide teaching and practical training principally (but not exclusively) for people living and intending to work in Scotland. For FE Colleges, competition with England is not a major much less overriding concern.

5. ASC welcomes the increase in recurrent funding for colleges which the Partnership Agreement has confirmed for the year 2004-05 and 2005-06. There are important issues, however, as to whether the Scottish spending plans for these and later years may be inappropriately skewed by reaction to developments in England.

6. A key priority, therefore, is to ensure that Scotland does not abandon or neglect its strategy for lifelong learning in relation to the many people whose education and training is not at HE degree level.

Impact on Scotland of changes in England

7. The reforms proposed in England are medium-term and will take 3-5 years to fully implement. It is not yet clear just what will be done. This
means that any assessment of impact has to be hypothetical at least in part.

8. Even so, Scotland already has some major advantages which the plans in England may reduce but will not necessarily remove:

- High levels of participation and attainment among both under 21 and older students;
- A better range of non-degree and part-time opportunities in HNC and HND;
- Accessibility of high quality but diverse provision throughout Scotland; and
- A better package of financial support for full-time students.

9. Some features of the plans for England could cause difficulties for Scotland, in particular:

- Introduction of "Foundation Degrees" as the flagship form of two-year full-time HE course displacing HND and, its one year counterpart, HNC; and
- Concentration of teaching resource in elite institutions for the few could increase the scarcity value of some HE degree awards as against others.

10. It should be recognised, however, that Scotland can reasonably be neutral on some of the changes in England. There are already important differences from England such as the 4-year Honours degree. The interaction between Scotland and its larger neighbour should be positive and constructive and of benefit to both countries. A process of "bidding up" will be harmful if it develops into wars of recruitment for students or retention of research academics.

11. Scotland need not have any reason to object if England does:

- Improve its overall package of student finance for full-time students (indeed the additional costs of maintenance for less well-off students will significantly offset the income from top-up fees);
- Require students to contribute to fees on graduation rather than before and during a period of study; and
- Increase participation more rapidly towards levels already achieved but in Scotland.

12. Scotland has the authority and responsibility to make its own decisions on:

- Relative priorities across the spectrum of lifelong learning;
- The appropriate balance between full-time and part-time provision at HE and indeed other levels;
• The numbers of full-time, publicly funded places on HE places in universities and colleges; and
• The affordability of self-directed research or academic priorities.

13. Although Scotland has many features of HE provision of its own devising, some aspects of student finance have to take into account non-devolved matters such as the UK taxation, benefits, and the Student Loans systems. ASC welcomes the DfES proposal to raise the income threshold for repayment of student loans (and the Scottish Graduate Endowment) to £15,000. However, we believe that this threshold should eventually be set no lower than average per capita income so that no contribution is required by anyone earning less than the national average.

Top-up fees for HE courses in FE Colleges

14. FE Colleges in Scotland had no plans to levy top-up fees when these were first recommended by Universities UK. All the major political parties in Scotland, and the Partnership Agreement of the Scottish Executive, have now ruled these out.

15. It is not impossible that Colleges of Further Education in England will introduce top-up fees for high demand, specialised courses such as those in music and video production or performance arts. The same may also be true for land-based courses (including agriculture and recreational management). It is possible, therefore, that more students from England will seek place on such courses in Scotland if there are top-up fees in England but not in Scotland.

16. ASC does not anticipate that cross-border flows of students would increase sharply or dramatically for HN provision in college as a whole. It is difficult to estimate the extent of such effects in advance of knowing how widely top-up fees will be adopted by providers of comparable courses in England. But concentrated transfer effects could be both important and high profile.

Endowments of institutions

17. The debate in England has also highlighted the issue of the extent to which alumni should contribute to the costs of HE provision as its major beneficiaries. In the debate in England, much as been made of comparisons with the USA. But Scotland is not North America. There is not the same tradition here today of large scale donation by alumni or businesses to universities much less FE colleges.

18. Scotland’s FE Colleges have to operate on the basis of low or no financial reserves and few or no endowments. A campaign to create a culture of giving by alumni and businesses to colleges as well as universities in England might conceivably change perceptions and indeed levels of donation in Scotland too.
19. ASC’s view is that it is more appropriate for Scotland to benchmark itself against north European countries with similar social and economic ideals. ASC believes that the issue of opportunity cost of seeking to compete in the “Ivy League” needs to be considered with particular care for Scotland.

Ways forward for Scotland

20. It is relevant to ask how Scotland has afforded without top-up fees what England is attempting to achieve dependant on top-up fees? The main ones ASC identifies are;

- The high levels of participation in HE already achieved;
- The tradition of accessibility and social inclusiveness of both universities and, even more so, FE colleges;
- More favourable terms of student finance for the less well-off and mature students; and
- The wider recognition and greater flexibility of the full HN catalogue in Scotland.

21. For the period ahead, Scotland already has the prospect of further and distinctive improvements in its HE provision, in particular:

- Implementation of the Single Credit and Qualifications Framework ensuring that students can secure credit and easier progression from one type or level of learning to others;
- The University of the Highlands and Islands Millennium Institute;
- Collaborative ventures such as the regional Wider Access Forums and the joint college and university campus at Crichton, Dumfries; and
- Easier articulation and a wider variety of routes from HN to degree level courses.

22. ASC highlights the following as obstacles to continued progress in Scotland:

- The “cap” on full-time HE courses which prevents responsiveness to new areas of student demand or employer requirements which HNs ought to be able to offer;
- The limited range of non-discretionary entitlement available to part-time students (other than the very important instrument of fee waivers for those on one form of social benefit or another); and
- The unsustainably low unit of resource available to support HE courses in FE colleges.

These are matters which need to be addressed in the next review of the Scottish Executive spending plans (SR 2004) for the period 2005 to 2008.
Conclusions

23. ASC believes that Scotland should not be thrown off course in developing its own strategy for lifelong learning and for knowledge based economic development by the plans for England. There is a risk of changed or different cross-border flows of students and staff though these are speculative until the new regime in England establishes itself.

24. Scotland has much to gain by extending entitlement to lifelong learning from those who currently benefit too little from it, and by accelerating the modernisation of those features which are of greatest advantage to students and employers in Scotland.

25. ASC urges the Enterprise and Culture Committee to consider ways in which it can support:

- The continuing and further extension of entitlement to lifelong learning to those currently getting least or too little benefit from it; and
- Accelerating the modernisation and greater accessibility of HE provision by colleges and universities.

ASC Executive
September 2003