EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

AGENDA

22nd Meeting, 2008 (Session 3)

Wednesday 24 September 2008

The Committee will meet at 10.00 am in Committee Room 5.

1. **Scottish Broadcasting Commission** The Committee will take evidence on the Commissions final report, Platform for Success, from—

   Blair Jenkins, Chair, Scottish Broadcasting Commission.

2. **Budget process 2009-10 (Stage 2):** The Committee will take evidence from—

   Professor Anton Muscatelli, Convener, Universities Scotland;

   Howard McKenzie, Acting Chief Executive, Association of Scotland’s Colleges;

   Mark Batho, Chief Executive, and Laurence Howells, Director of Learning Policy and Strategy, Scottish Funding Council.

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The papers for this meeting are as follows—

**Agenda item 1**
Scottish Broadcasting Commission cover note  ELLC/S3/08/22/1

**Agenda item 2**
Budget process cover note  ELLC/S3/08/22/2
Education, Lifelong Learning and Culture Committee

22nd Meeting, 2008 (Session 3), Wednesday 24 September 2008

Scottish Broadcasting Commission

Background

1. The First Minister announced the establishment of the Scottish Broadcasting Commission (SBC) on 8 August 2007. The SBC subsequently held its first meeting on 26 October 2007. The remit of the SBC was—

“to conduct an independent investigation into the state of television production and broadcasting in Scotland and define a strategic way forward for the industry. Taking account of the economic, cultural and democratic importance of broadcasting to a modern, outward looking Scotland and its creative industries, the Commission will:

• Make recommendations for Scottish Government action in those areas that lie within the scope of the powers currently devolved to the Scottish Parliament

• Focus attention on issues where other organisations have responsibility and encourage action to address these issues

• Identify matters for further consideration and debate in the Scottish Parliament.”

2. The SBC published its Work Programme\(^1\) and Code of Conduct\(^2\) on 7 November 2007.

3. At its meeting on 5 September 2007, the Committee agreed to scrutinise the work of the SBC.

4. Blair Jenkins, Chair of the SBC, gave evidence to the Committee on 7 November 2007.\(^3\) At that meeting the Committee questioned Mr Jenkins on the remit and scope of the SBC.

5. Subsequently, the SBC published three interim reports. These were on the economic phase (January 2008)\(^4\), cultural phase (March 2008)\(^5\) and democratic phase (May 2008)\(^6\) respectively.

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6. Blair Jenkins gave evidence to the Committee on the three interim reports at its meeting of 11 June 2008.7


**Evidence session on 24 September 2008**

8. At its meeting on 24 September 2008 the Committee will take evidence from Blair Jenkins on the final report of the SBC Platform for Success.

**Future work**

9. The Committee has agreed to take further evidence at future meetings on the topic of broadcasting from the Director-General of the BBC, and from OFCOM.

10. It is also recommended that the Committee considers any response to the SBC report made by the Scottish Government.

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Education, Lifelong Learning and Culture Committee

22nd Meeting, 2008 (Session 3), Wednesday 24 September 2008

Budget process 2009-2010 (stage 2)

Background

1. At its meeting of 10 September 2008 the Committee agreed its approach to stage 2 of the budget process 2009-2010.

2. The Committee agreed to focus its scrutiny on further and higher education, skills and lifelong learning and financial aspects of the establishment of Creative Scotland as they affect the 2009-2010 budget.

3. The Scottish Government’s draft budget for 2009-2010 was published on 16 September 2008.¹

4. A SPICe briefing on the draft budget 2009-2010, which includes detailed cash and real term figures, was published on the 18 September 2008 and is available at this link:

   http://www.scottish.parliament.uk/business/research/briefings-08/SB08-49.pdf

Evidence session on 24 September 2008

5. At its meeting on 24 September 2008 the Committee will focus on further and higher education issues within the budget, and will take evidence from—

   - Professor Anton Muscatelli, Convener, Universities Scotland;
   - Howard McKenzie, Acting Chief Executive, Association of Scotland’s Colleges;
   - Mark Batho, Chief Executive, and Laurence Howells, Director of Learning Policy and Strategy Scottish Funding Council.

6. Universities Scotland and the Association of Scotland’s Colleges have provided written submissions, which are attached in the Annexe.

Future evidence sessions

7. The Committee intends to take evidence on skills and lifelong issues within the budget from Skills Development Scotland at its meeting on 1 October 2008.

8. At its meeting on 8 October 2008 the Committee intends to take evidence on cultural issues within the budget, specifically regarding the

establishment of Creative Scotland, from the Minister for Europe, External Affairs and Culture.

9. Finally, the Committee intends to take evidence on further and higher education and skills and lifelong learning issues within the budget from the Cabinet Secretary for Education and Lifelong Learning at its meeting on 29 October 2008.

**Reporting to the Finance Committee**

10. The Committee is required to report to the Finance Committee by mid-November 2008. Therefore the Committee will consider a draft report on the budget 2009-2010 at its meeting on 5 November 2008, and will be asked to agree its report at its meeting on 12 November 2008.

    **Nick Hawthorne**  
    **Senior Assistant Clerk**  
    **Education, Lifelong Learning and Culture Committee**
Annexe

Written submission from the Association of Scotland’s Colleges

Summary

1. The Association of Scotland’s Colleges (ASC) welcomed publication of Scotland’s budget and spending review settlement on 14 November 2007. We were pleased to give evidence to the Education, Lifelong Learning and Culture Committee at their meeting on 28 November 2007 on the Budget process 2008-09. ASC welcomes the opportunity of giving its views on the Scottish Government draft budget 2009-2010. Scotland’s Colleges are facing a challenging operating environment where cost pressures are mounting. This in turn leads to an increased threat to the financial security of colleges. Despite growing uncertainties Scotland’s Colleges believe they can continue to deliver good quality further and higher education.

Budget changes

2. ASC notes that the Scottish Government’s spending plans for the Scottish Further and Higher Education Funding Council (SFC) include a transfer of £20.0m to the Health and Wellbeing portfolio in 2009-10 to be repaid in 2010-11 in respect of the acceleration of the Affordable Housing Investment Programme. ASC understands that this is a simple transfer that will have the effect of keeping the profile of capital grants for colleges in line with SFC activity. ASC will be seeking to discuss the details of this transfer further with the Scottish Government and SFC.

Budgetary pressures

3. Since the committee last considered college budgets on 28 November 2007 the financial challenges faced by Scotland’s Colleges have increased. This would be a similar experience to other parts of the private and public sectors in Scotland.

4. As the rate of UK inflation has increased so has pressure from college staff for pay increases that match rises in the cost of living. Pension contributions costs for colleges have also increased. College management are aware of the risk of industrial action if pay increases do not keep up with inflationary pressures.

5. These pressures are amplified by the statutory requirements for colleges to carry out job evaluations and equal pay audits. Colleges carry considerable legacy burdens from local authority control, such as, banding incremental advance on lengths of service, technology allowances and non standard gradings. Preliminary results of job evaluation exercises indicate they may add significantly to wage costs.
6. The move to single status gradings and the implementation of equal pay audits are likely to also add to wage costs. Both activities are to be completed by October 2010 although there may be another 2 years for implementation.

7. Energy cost increases have of course also impacted on colleges although these have clearly been felt across the whole of the Scottish economy.

8. The committee will be aware that a number of colleges with new build projects either currently underway or completed have commercial debt as part of the funding package. Whilst this debt is at manageable levels colleges are aware that significant changes in interest rates could have adverse affects on their financial forecasting.

9. The Scottish Government’s Curriculum for Excellence and proposed Baccalaureate programme will draw on college resources, requiring different staffing, teaching and equipment. This is a key consideration in forward planning for Scotland’s Colleges.

Charitable status

10. There are 311 days until Scotland’s Colleges are scheduled to lose charitable status. The potential loss of income to colleges has been calculated by the Scottish Funding Council to be as high as £50million per annum.

11. At its meeting on 18 June 2008, the Education, Lifelong Learning and Culture Committee considered and agreed the draft Charity Test (Specified Bodies) (Scotland) Order 2008. The Order came into effect on 27 June.

12. The next stage of the process is for the Scottish Government to draft a second Order to ensure that college assets, when disposed of, are used for charitable purposes. Moving Scotland Forward: The Government's Programme for Scotland 2008-09, states that this second Order will ‘...follow later this year.’

13. The Office of the Scottish Charity Regulator (OSCR) has given until 31 July 2009 to resolve the issues around continuing charitable status for Scotland’s Colleges. This reflects the time required to resolve the complex legal and parliamentary processes involved. Scotland’s Colleges look forward to seeing and offering views on this second Order. ASC will support any measure that will safeguard the continuing charitable status of Scotland’s Colleges.

Conclusion

14. ASC’s written evidence to the Committee on 28 November 2007 said ‘...the budget and spending review, while challenging, will enable colleges to continue to deliver an effective education service for Scottish learners, communities and businesses.’
15. ASC believes that since then the financial pressures on Scotland’s Colleges have increased. It is clear that in part this is due to the economic difficulties and pressures faced by the Scottish and UK economies that are impacting considerably across Scottish public services.

16. Despite these pressures ASC believes that the strength of college governance and management combined with financial stewardship of the SFC and a sympathetic Scottish Government means that Scotland’s Colleges can continue to offer excellent further and higher education opportunities for Scotland.
Written submission from Universities Scotland

Rate of increase

The draft budget for 2009-10 allocates the university sector total funding of just over £1 billion. This has slightly increased from the figures announced in the Comprehensive Spending Review last year due to an administrative change in the way in which the Scottish Agricultural College is funded. Funding for SAC was previously from the Rural Affairs and Environment portfolio, but this has now been transferred to the Scottish Funding Council from 2008-09. In the calculations below (to give a fair comparison with last year’s figures) Universities Scotland has subtracted the funding for SAC from the total higher education budget.

With this adjustment, between 2008-09 and 2009-10 the higher education budget will rise from £1035 million to £1082 million. This is a cash terms increase of 4.5 per cent. The official GDP deflator assumption remains 2.75 per cent for 2009-10. Inflation at this rate would mean that the real-terms rise in funding would be 1.8 per cent. The current rate of inflation is 4.7 per cent. Inflation at this rate would mean a slight real-terms drop in funding of 0.2 per cent.

Funding as a proportion of the overall Scottish budget

In 1999 the total Scottish Government budget was £16,213 billion and higher education funding was £589 million. This means that higher education funding represented 3.63 per cent of the total budget. In 2009-10 the respective numbers are £34760.5 billion and £1100 million (£18 million has been added to this baseline due to funding that universities receive from SAAS rather than the SFC), with higher education representing 3.16 per cent of budget.

Universities Scotland’s long-term challenges

The report of the Joint Future Thinking Taskforce on Universities contains a challenge from the university sector to the Government on the funding of the sector. The challenge is that by not later that 2028 Scotland should be in the top OECD quartile for proportion of GDP invested in higher education but that by 2018 at the latest we should have risen to the OECD average.

Universities Scotland based those challenges on the most up-to-date information available then. At that time, on average OECD countries invested 1.2 per cent of GDP in higher education. To get into the top quartile a country needed to invest 1.5 per cent of GDP. While direct comparisons between the OECD and Scotland are not easy to make, Universities Scotland estimates that Scotland invests 1.05 per cent of GDP in higher education. This calculation tallies with that made by the Scottish Funding Council in a paper it presented to the Joint Future Thinking Taskforce on Universities that the OECD average is 1.4 per cent and Scotland’s rate is 1.2 per cent. However, this calculation includes investment on higher education delivered in the
further education sector. In the most recent OECD statistics which were released in September, the OECD average has risen to 1.3 per cent.

At the time our challenge was set, Universities Scotland estimated that the cost of reaching the OECD average would be £122 million, calculated at 2005 prices.

Conclusions

Universities Scotland recognises that the Scottish budget for 2009-10 was tight and that there are many spending priorities. We recognise that funding for higher education is rising at the same rate at the overall Scottish budget in cash terms. We also recognise that the real-terms position of universities had been hit by an inflation rate which is well above what was predicted.

Nevertheless, there are three simple conclusions that we would draw:

- At a time when other countries are significantly increasing their investment in higher education, Scotland is making only very modest increases in funding which are potentially leaving the sector in a slightly worse real-terms position next year compared with this year.

- The proportion of the Scottish budget spent on higher education has fallen since last year and remains well below that inherited by the Scottish Parliament in 1999.

- The modest target of reaching the OECD average for funding by 2018 will not be met if the next Spending Review does not produce a substantial increase in funding for the university sector.