



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit and Post-legislative Scrutiny Committee

**Thursday 2 February 2017**

**Session 5**



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**PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE**  
**4<sup>th</sup> Meeting 2017, Session 5**

**CONVENER**

\*Jenny Marra (North East Scotland) (Lab)

**DEPUTY CONVENER**

\*Liam Kerr (North East Scotland) (Con)

**COMMITTEE MEMBERS**

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

\*Monica Lennon (Central Scotland) (Lab)

\*Alex Neil (Airdrie and Shotts) (SNP)

\*Gail Ross (Caithness, Sutherland and Ross) (SNP)

\*Ross Thomson (North East Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Liz Smith (Mid Scotland and Fife) (Con)

John Swinney (Deputy First Minister and Cabinet Secretary for Education and Skills)

**CLERK TO THE COMMITTEE**

Terry Shevlin

**LOCATION**

The Adam Smith Room (CR5)



## Scottish Parliament

### Public Audit and Post-legislative Scrutiny Committee

Thursday 2 February 2017

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

**The Convener (Jenny Marra):** Good morning and welcome to the Public Audit and Post-legislative Scrutiny Committee's fourth meeting in 2017. I ask everyone to switch off electronic devices or put them in silent mode so that they do not affect the committee's work.

I am sure that all members will join me in sending our best wishes to Alex Neil and wishing him a speedy recovery. He is unlikely to be back for a month or so.

I welcome Liz Smith, who is a member of the Education and Skills Committee. I am keen to build links with other committees when we are discussing an audit that cuts across our remits.

Our first item of business is a decision on whether to take item 4 in private. Do members agree to take that item in private?

**Members indicated agreement.**

## Section 23 Reports

### "Audit of higher education in Scottish universities"

09:01

**The Convener:** We will now take oral evidence on the Auditor General for Scotland's report. I welcome to the meeting John Swinney, Deputy First Minister and Cabinet Secretary for Education and Skills, and Aileen McKechnie, director of advanced learning and science at the Scottish Government.

It is rare for the committee to take evidence from a cabinet secretary, in recognition of the fact that public bodies' accountable officers are personally responsible for the economic, efficient and effective use of related resources. Further, the Auditor General does not make judgments on policy, which is a matter for Scottish ministers rather than officials. However, the committee considered it important to take further evidence from the cabinet secretary as various fundamental policy discussions that are under way could significantly affect the future funding and performance of the higher and further education sectors.

I invite the cabinet secretary to make an opening statement.

**The Deputy First Minister and Cabinet Secretary for Education and Skills (John Swinney):** Education is the Government's defining mission. Our priorities are to ensure that our children and young people get the best possible start in life, to raise standards in our schools and to close the educational attainment gap. We are committed to ensuring that every young person can access a positive and beneficial learning journey that will provide them with the right range of skills and qualifications to succeed in life.

One of our key ambitions is to widen access to further and higher education, as well as to create greater flexibility across the senior school phase and into higher, further and vocational education, which will create more high-quality opportunities for every child to succeed. I am heartened to see the recent Scottish Further and Higher Education Funding Council college statistics, which show that, in 2015-16, more than 41 per cent of all full-time college activity was in higher education, which is the highest proportion ever.

As outlined in my submission of 18 January, since the committee previously discussed today's two reports, we have published a draft budget for 2017-18; indeed, Parliament will vote on the Budget (Scotland) Bill at stage 1 in proceedings today. Despite the challenging context that the

United Kingdom Government's approach to public spending has created, we have increased college funding—resource and capital—by £41.4 million, which is a 5.9 per cent increase. That increase in our investment in Scotland's colleges will help them to continue to improve young people's life chances and generate the skilled workforce that is needed to secure economic growth. We will also maintain at least 116,000 full-time-equivalent college places, which will equip students with the skills to take them on to positive destinations in education and employment.

Higher education has benefited from continued investment from the Government. For the sixth year in succession, we intend to provide more than £1 billion to the sector, which will protect core teaching and research grant investment. That level of funding also enables us to continue to make progress on our commitment to widening access, while protecting free tuition for all eligible Scottish and European Union students.

In our pre-budget discussions, we engaged closely with the higher education sector to identify areas of savings and income-generation opportunities. Our draft budget also identifies a 77 per cent increase in capital funding to support research infrastructure and to invest in excellent learning environments for students. That investment will support our universities to continue to be internationally competitive and renowned for their research excellence. It will also ensure that access to higher education continues to be based on the ability to learn, rather than the ability to pay.

In previous committee meetings, the number of Scotland-domiciled students who are being accepted for entry into Scottish universities has been of particular interest to members. The latest statistics from the Universities and Colleges Admissions Service show that the number of Scottish students who were accepted to Scottish institutions increased by 2 per cent, to 33,825, over this academic year, with an increase of 1.1 per cent in entry rates for 18-year-olds from the 20 per cent most deprived areas in Scotland.

I hope that that helps to set out the Government's commitment to ensuring that our further and higher education sectors continue to make a pivotal contribution to the Scottish Government's vision for excellence and equity within and across Scotland's education system. I look forward to discussing the issues with the committee.

**The Convener:** Thank you, cabinet secretary.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I would like to ask a couple of questions on widening access. The performance of the universities shows that, on average, they are well behind achieving the figure

of 20 per cent coming from the lowest 20 per cent in the Scottish index of multiple deprivation. If I recall correctly—I am speaking from memory—the ancient universities achieved only about 6 per cent against the lowest 20 per cent on SIMD. Do you have any comment on why the universities are so far behind?

**John Swinney:** The issue is long term and is not particularly new. There has been an access gap, which is precisely why the Government established the commission on widening access. It is why we accepted the commission's recommendations and why we appointed Sir Peter Scott as the commissioner for fair access. He has started his work, and he and I participated in a recent event—just a couple of weeks ago—at the University of St Andrews that focused directly on widening access. The approach that he is taking has been clearly explained to the Education and Skills Committee.

From my observations of my dialogue with it, I think that the sector recognises the issue and that it is engaged with the Government in trying to address it. Professor Mapstone, who is the principal of St Andrews university, was heavily involved in the widening access event that took place there, which drew together a range of interested parties in the debate. In her inauguration address as principal, she made crystal clear her determination to make significant progress on widening access. Progress has been made, but there is still a great deal more to do.

**Colin Beattie:** I realise the complexity of creating a wider set of measures. Do we have any timescale within which it is hoped to deliver the new set of figures?

**John Swinney:** The Government has said that it wants to get to a target level of 20 per cent of students coming from deprived backgrounds at higher education institutions by 2030. We are making progress towards that objective.

**Colin Beattie:** I have a quick question on SFC funding. Is the funding for teaching intended to cover the full cost of teaching both Scottish and EU students?

**John Swinney:** The funding that is available to universities comes from a wide range of financial sources. The teaching grant is one component. The Government adopts an approach that is designed to support teaching activity in our universities and to ensure that it is appropriately and effectively funded by the contributions that the Government makes to that process. However, given that the universities are independent institutions, they have to make their own decisions about the overall allocation of resources internally.

**Colin Beattie:** Does the price that is paid per funded place by the SFC have an explicit efficiency target for universities built into it?

**John Swinney:** There is not an explicit target, but there is an assumption, which is applied across the board in the public services, about the importance of having a focus on and giving attention to efficiency, given the challenges of the public expenditure climate in which we operate. There is also a recognition that, as a matter of good practice, we have to constantly challenge the cost that is involved in the delivery of public services, to maximise the value for public money that is achieved.

**Colin Beattie:** Is the price that the SFC pays per funded place linked to the SFC's monitoring of the university's overall financial health?

**John Swinney:** Yes—the overall financial health of institutions is a factor of assessment by the Scottish funding council.

**Colin Beattie:** To what extent does the Scottish Government expect universities to cross-subsidise the cost of teaching Scottish and EU students with other income that has been generated, such as non-EU student tuition fees?

**John Swinney:** My earlier answer was on that territory. Universities attract finance from a range of different sources and, as independent institutions, they have to make their own decisions about their fiscal sustainability. They draw resources from the teaching grant, from the research grant and from research grants that are secured from external bodies—there is a range of income sources for them. The institutions have to make judgments about the deployment of those resources as part of their overall judgment about their fiscal sustainability.

**Ross Thomson (North East Scotland) (Con):** In her report, the Auditor General noted:

“It has become more difficult in recent years for Scottish ... students to gain a place at a Scottish university”

as there are more applications than places. Further, she stated that the

“policy on widening access within the current number of funded places will have consequences for ... students”.

University principals in my region have been very clear with me that, with rising demand from Scottish students, capped places and fierce competition, the policy—as it is currently, based on SIMD—is at serious risk of displacing able students. What is your response to that?

**John Swinney:** First, there has been a significant rise in the number of Scotland-domiciled students entering university—the number has risen by 11 per cent in the past 10 years, which is a welcome change in the pattern—

and we should remember that point at the outset of the conversation.

Secondly, there will clearly be competition for places, as we do not operate a system on the basis that everyone who wants to go to university will go to university. It would be impossible for us to deploy such a system, so there is competition for places.

My third point is central to the analysis of the issues of participation in higher education. In Scotland, we have a fundamentally different approach—a differently balanced approach is perhaps the more appropriate way to put it—to participation in higher education at university level or in the further education sector. A much more significant proportion of individuals participate in higher education courses at further education institutions here than is the case elsewhere in the United Kingdom. That does not address the issue that Mr Beattie raised with me about access to the ancient universities, but it does address access to higher education courses, which is undertaken in a different fashion.

Of course there will be competition for places but, through our work in partnership with the universities on the approach to widening access—again, I refer to my response to Mr Beattie's questions—there is an opportunity for us to make progress on a very important commitment. I know that the universities are with us in trying to address that.

**Ross Thomson:** University principals have highlighted to me their genuine concern about the potential for able people to be displaced because the SIMD measure is not very sophisticated. At a recent Education and Skills Committee meeting, Dame Ruth Silver accepted that SIMD is not a sophisticated measure and that it can be hit and miss, which the principal of Abertay University also said to me—he said that, in its current form, the approach risked advantaging affluent students. Paul Johnston also accepted those points when he appeared before this committee and advised us that the Scottish Government would work to develop a more sophisticated model. When will that work be undertaken and when will it conclude?

**John Swinney:** We look at all those factors, and the question is not relevant just to university access. Mr Thomson will be familiar with the announcements that I made yesterday on pupil equity funding. The judgment that I arrived at in the distribution of that funding, which is intended to target deprivation where it exists in the country, was to go beyond SIMD into a more comprehensive measure that is driven by an assessment of free school meal entitlement. That provides a more granular breakdown of the prevalence of deprivation.

09:15

Ms Ross, who is sitting next to Mr Thomson, represents a large and disparate rural constituency. SIMD indicators will identify the existence of poverty in groupings—in many or larger settlements—but I concede that it will not identify the prevalence of deprivation in the areas with dispersed population that Ms Ross represents. The free school meal assessment will do that more effectively.

The work that Mr Paul Johnston referred to in his previous appearance at the committee is under way. It is a detailed piece of work, because we have to look at existing datasets to try to work out a more effective way of fine tuning the information. We expect that to be available during 2018.

**Ross Thomson:** To follow on from the theme about data, when Dame Ruth Silver was questioned by my colleague Liz Smith at the Education and Skills Committee, Dame Ruth expressed concern that the data that sits behind the Government's decision that universities must accept 20 per cent of their students from the 20 per cent most deprived communities by 2030 suffers from

"the same disease, which is that it is not systemic"

and the

"data is poor to inadequate."—[*Official Report, Education and Skills Committee*, 25 January 2017; c 8, 5.]

On what evidence did the Scottish Government base its policy target of 20 per cent? How robust is that evidence?

**John Swinney:** I am not sure that I follow the point that is being made. I will try to address it but, if I am not picking it up correctly, please correct me.

I am yet to see any data that contradicts the Government's approach in relation to SIMD distribution across the general population base. The Government is looking at the data to ensure that the situation that prevails—in which 14 per cent of Scotland-domiciled full-time first-degree entrants to Scottish universities are from the 20 per cent most deprived areas—improves. The Government is trying to ensure that that cohort of the population is appropriately represented at universities. The figure of 14 per cent is better than the figure in 2006-07, which was 11.2 per cent. I have not seen anything that disputes the data that drives the SIMD assessment.

**Ross Thomson:** A number of questions have been asked of the Scottish Government and officials on the collection of data and evidence for policy decisions. I am trying to tease out the robustness of the evidence.

When Keith Brown, the Cabinet Secretary for Economy, Jobs and Fair Work, was in front of the Education and Skills Committee, he was asked—in relation to Highlands and Islands Enterprise—what evidence there was from the consultation to support the Government's policy proposal of a single superboard. At that point, there was no evidence whatsoever. When the cabinet secretary provided material to that committee, it was clear that no one during the consultation had suggested that a single board would be the solution to the problems that had been identified.

I seek clarity on the evidence base that the Scottish Government uses before taking policies forward. Will you provide clarity on that issue in relation to HIE and the decision to move forward with a single board?

**John Swinney:** There are two elements to our approach to all such issues. First, we look at the evidence of a problem, a challenge or whatever, and then a policy solution is put in place. The evidence that drives the enterprise and skills review is the fact that we are concerned that the Scottish economy is not performing in the top quartile of the productivity assessments, which we believe, in policy terms, is where we need to be. I do not think that there is much disagreement in Parliament that that is where we all want Scotland to be performing. We all want the Scottish economy to be more successful and dynamic, and we need it to be more productive. Plenty of data shows that we are not achieving that level of productivity. That is the evidence that leads us to ask what our policy responses should be.

Just because somebody else has not suggested a solution, that does not mean that there is a lack of evidence. If—as is the corollary of Mr Thomson's question—the Government did only things that other people had done before or which somebody else had suggested, we would not undertake much policy innovation. We have to look at the evidence, which shows that, despite the best efforts of lots of players, parties, the private sector, the public sector, enterprise agencies, skills agencies and the funding council—people who are doing their level best—we have not reached the top quartile of productivity performance. The Government has looked at that and asked what it should do to intensify activity. To intensify it, we must have stronger alignment between the activities and choices that our enterprise, skills and learning agencies make. That is where the single board proposal comes from.

I venture to suggest that the evidence base is crystal clear. The policy conclusions are for ministers to consider and be judged on. That is how policy is arrived at.



**Ross Thomson:** It is interesting to note that nobody has suggested that a single board is the solution to the problem. You are right that policies have to be based on evidence. There is clear evidence from Universities Scotland that it is critical to maintain the Scottish funding council and there is no evidence to support the proposal to scrap it. What work, if any, has the Scottish Government undertaken on the risks of reclassification of universities?

**John Swinney:** There are quite a number of issues in there. Forgive me, but I will rehearse some of what I said in my earlier answer. I have given a clear explanation of the process that the Government goes through. We look at the evidence about economic performance. I do not think that anybody, including Mr Thomson, would challenge me when I say that Scotland's productivity performance is not as strong as we would all desire it to be. The Government has to consider what it should do about that, and we listen to the ideas and suggestions that come forward. When Mr Brown engaged with the broadly based ministerial review group, the dialogue suggested a need to declutter the existing landscape, simplify the whole system for users and drive alignment across the agencies to maximise the collective impact of our economic activities.

**The Convener:** Sorry to interrupt, cabinet secretary. If I may, I will give the discussion a little more direction. Our job in this committee is to follow the public pound. I think that what Mr Thomson is getting at is the potential risk of the reclassification of universities, because that would have a financial impact. Forgive me if you were about to come to that.

**John Swinney:** I am going to. With the greatest of respect, convener, Mr Thomson has just reinterpreted my answer to the question and it was not the answer that I gave. I am simply putting on record the answer that I gave, which was to tell the committee that we look at the evidence and, as a consequence, come to policy conclusions, which are informed by the views of the ministerial review group.

I will come to Mr Thomson's subsequent questions. First, the Scottish funding council is not being scrapped—that was Mr Thomson's word—under the Government's proposals.

The final question was about reclassification. I have already made it clear to the Parliament that I maintain a very close interest in the classification of universities. I will carefully assess all proposals to ensure that nothing—nothing—jeopardises the private sector classification of universities. That would be an undesirable and unacceptable outcome. The Office for National Statistics this week set out the work that it intends to do in that

area and has made it clear, in light of its assessment of the policy proposals that are in the public domain, that in its view there is nothing that challenges the private sector classification of the universities. The ONS will do some work on whether the universities are classified as market or non-market institutions, but there is no scope in the ONS's work to question whether the universities are private sector institutions. That is a welcome bit of information from the ONS.

**The Convener:** Does that mean that if you were to receive advice saying that reclassification might be on the cards, you would drop your reorganisation plans?

**John Swinney:** I have said that I will look at all policy proposals to ensure that they do not lead to any risk of reclassification. The ONS statements this week have made it clear that there is nothing in the enterprise and skills review that would lead to such a conclusion.

**Liz Smith (Mid Scotland and Fife) (Con):** On a point of clarification, cabinet secretary, the Cabinet Secretary for Economy, Jobs and Fair Work told the Education and Skills Committee that the Scottish funding council board would be abolished. Can you clarify whether that is correct?

**John Swinney:** That is the proposal, but Mr Thomson said to me that the Scottish funding council was being scrapped, and those are two very different things.

**Liz Smith:** That takes me to my next question. There are some who would argue that if the funding council's board was being scrapped, that would obviously have significant implications for the way in which the funding council, or any new body, would be run. Can you clarify exactly what is to happen?

**John Swinney:** The Government is going through the second phase of the enterprise and skills review and we have set out the proposals that were concluded from phase 1. We are now actively exploring the next stage of that work. The Cabinet Secretary for Economy, Jobs and Fair Work has commissioned work to be undertaken on the governance arrangements to address the issues involved. We expect that work to come to hand fairly soon and we will obviously engage in further dialogue with the Parliament on those questions.

**Liz Smith:** So it is correct to say that there will be a new funding council model. Obviously, the board of the existing funding council is to go, so the argument would be that there would have to be a new body.

**John Swinney:** There will be changes to the arrangements under the proposals that have been set out today, yes.

**Liz Smith:** Can you spell out what the intention is?

**John Swinney:** I have said that we have concluded the first phase of the enterprise and skills review and that we are now looking at some of the governance issues in more detail in the second phase. The Cabinet Secretary for Economy, Jobs and Fair Work will provide an update to Parliament in due course.

**Liz Smith:** Various members of the Education and Skills Committee have made the point that it appears that decisions have been taken to abolish the four individual boards in the knowledge that there would be an overarching new board. As you have pointed out this morning, there is clear evidence as to why there could be great benefits from an overarching board in terms of the economy and the strategic direction.

However, the evidence for what the advice was on abolishing the boards seems to be completely non-existent. That is a concern for the Education and Skills Committee, I am sure for this committee and for Parliament. What advice are you getting from people in the enterprise agencies, including Highlands and Islands Enterprise, and from the current Scottish Further and Higher Education Funding Council board, as to why the boards in their current form should be abolished?

09:30

**John Swinney:** The evidence that informs the Government's policy conclusions has been gathered through the ministerial review group, which called for us to declutter the system, increase alignment and increase the organisations' focus on working together to concentrate on the broader economic objective. The Government has come to the conclusion that the best way to do that is to establish a single board that would enable those changes to take place.

We are developing further work on the proposals as part of phase 2 of the enterprise and skills review. We have invited Lorne Crerar, the chair of HIE, to work with the chairs of the other bodies to consider those points and we will receive his report in due course.

**Liz Smith:** Forgive me for labouring the point, but it appeared after phase 1 of the review that a decision had been made not only to have an overarching board, which I think most people support, but to abolish the four individual boards that currently govern the individual bodies. That decision had been taken, and Parliament and its committees have a right to know about the evidence on which the decision was based.

You argue that changes can be made to the proposals in phase 2 of the review. The concern that we all have is that, when phase 1—which was a very definite phase—came to an end and the Cabinet Secretary for Economy, Jobs and Fair Work came to the Education and Skills Committee, he got himself in a bit of trouble by not being able to answer that question. That is the point that we really want to know about.

**John Swinney:** I have gone through some of this territory already. In phase 1, the dialogue with the ministerial review group and the responses to the call for evidence expressed a desire for the decluttering of the existing landscape, for the simplification of the whole system for users and for driving alignment across the agencies to maximise the collective impact and realise our ambitions for Scotland's economic performance. That is the evidence: the call for the need to drive alignment across the agencies.

The Government looks at that evidence and judges, which is the point that I made to Ross Thomson a moment ago. We look at that evidence and make a judgment, which is that, in policy terms, the best way to proceed is to create a single board.

That is the policy conclusion that we have come to in response to the evidence. As I said to Ross Thomson a moment ago, just because somebody else has not suggested the idea, that does not mean that it should not be taken forward. Where do new ideas come from? Must we always have old ideas? Does somebody else have to suggest the ideas before we do anything? How do we get policy innovation if we do not have new ideas? We would never try anything different. We would never change anything. In the early 1990s, the Conservative Government abolished the Scottish Development Agency and created Scottish Enterprise—

**Liz Smith:** That was based on evidence.

**John Swinney:** It was a policy response to evidence; the Government at that time did not know that it was going to work.

**Liz Smith:** There are two issues. First, I do not think that anyone doubts at all the need for strategic oversight of skills and employment. I can well understand why the Government believes that it has the necessary evidence to support the creation of an overarching board.

However, the second point is that the Scottish Government gave very strong messages in the chamber and in committee that it was necessary to abolish the four boards. It is very important that Parliament understands what the evidence was to support the decision to abolish the boards, in view of the evidence that the Government wants to

pursue an overarching board. That is the problem that the Scottish Government has.

**John Swinney:** I am afraid that I will simply go over the same territory as before, because my answer is this. We have gone through an evidence process that has told us that we need to drive greater alignment across the agencies. Our policy response to that is to have an overarching board, which Liz Smith tells me that she supports. The arguments for having an overarching board are made by the need to drive greater alignment among the agencies and to ensure that they are working in alignment. That is the policy response.

**Liz Smith:** I think that we will have to disagree.

**Liam Kerr (North East Scotland) (Con):** I want to explore a couple of matters that have come up, one of which Colin Beattie raised. In your written submission, you say:

“further significant investment will support universities to remain internationally competitive”

and

“continue to be renowned for research excellence”.

At the end of last year, in response to the budget, the convener of Universities Scotland, Professor Andrea Nolan, said:

“This settlement does not enable recovery towards sustainable funding of universities’ core teaching and research activities.”

That backs up the anecdotal evidence that there is simply not enough money going into the sector.

If I heard you right, your answer to Mr Beattie implied that you accept that and that the onus is on the sector itself to meet the shortfall. Is that correct?

**John Swinney:** In my answer to Mr Beattie, I said that the income sources of the university sector are varied. The universities’ income comes from a variety of sources, including grants from the Scottish funding council, tuition fees, education contracts, research grants and contracts, endowments and investment income. According to Audit Scotland’s report, in 2014-15 the universities had a total turnover of £3.5 billion. The Government’s contribution to that is probably about a third to two fifths. My point to Mr Beattie was that the universities’ financial sustainability is not driven only by Government funding. Government funding represents a minority of university income. We make a contribution, which we consider contributes to making our university sector internationally competitive and sustainable.

**Liam Kerr:** What if Professor Nolan is correct and the universities’ funding is not sustainable? What is the long-term prognosis?

**John Swinney:** We are engaged in active dialogue with the university sector about its long-term financial sustainability. Over the past couple of years, we have had strategic engagement with the sector on the formulation of the budget proposals. In the year before this one, I led that as the finance secretary, and this year I have led it as the education secretary. We have a very good, open dialogue—substantially at official level, but also at ministerial level—with the universities on matters of financial sustainability. That is an on-going dialogue, the purpose of which is to ensure that we are making a contribution that is appropriate and effective in ensuring the sector’s financial sustainability.

**Liam Kerr:** But is there an expectation that, if there were sustainability concerns—or concerns in general—universities would start to eat into their reserves?

**John Swinney:** Universities have a range of financial mechanisms at their disposal. They are private, independent institutions. They must be the judges of their own fiscal sustainability. Obviously, the Government makes a contribution, but universities receive contributions from other sources of income.

**Liam Kerr:** The Scottish funding council told the session 4 Education and Culture Committee:

“we do not allocate funding based on universities’ overall incomes from other sources.”

However, in your submission to this committee, with reference to the evidence that the SFC gave to us, you say:

“the SFC consider the financial health of the whole institution”.

The position seems slightly ambiguous. Can you clear that up, please? Does the SFC allocate funding based on overall income?

**John Swinney:** If my memory serves me right, Mr Kemp, the chief executive of the funding council, told either this committee or the Education and Skills Committee in early December that the SFC looks at the overall financial health of institutions. I am not sure which committee it was.

**Liz Smith:** It was this one.

**John Swinney:** Well, Mr Kemp told this committee at that point what I told Mr Beattie in my earlier answer.

**Liam Kerr:** For clarity, I think that that is slightly different from what the SFC said to the Education and Culture Committee in session 4.

**John Swinney:** Somewhere in this folder, I have the quote from Mr Kemp—if I work my way through it, I am sure that I will find it. However, I assure you that what I have said to the committee

is identical to what Mr Kemp said in evidence to the committee on, I think, 1 December last year.

**Liam Kerr:** Would it be possible to clarify, perhaps after the meeting, whether that evidence is correct or whether the evidence that the SFC gave was correct?

**John Swinney:** Mr Kemp is the chief executive of the funding council. He came to this committee on, I think, 1 December and said that the SFC takes into account the overall financial health of institutions. That is what I am saying. There is no contradiction in that.

**The Convener:** I think that you are correct, cabinet secretary. However, I think that the SFC has given two slightly different statements at committee, which we have on record. If Mr Kerr will allow me, perhaps I can rephrase the question. From the Scottish Government's point of view, which do you consider—the overall reserves of a university or its overall substantial health? Obviously, the SFC makes that judgment and consideration, but do you worry that some universities have much bigger reserves than others and that, if you cut the core funding, which does not cover the teaching grant, some universities are more at risk than others?

**John Swinney:** Assessment of the overall financial health of the university sector takes into account a range of factors. I have cited to Mr Kerr the fact that Government funding for universities represents between a third and two fifths of universities' total turnover. Universities also have reserves, which vary from institution to institution. The funding council takes into account the overall financial health of institutions in determining the decisions that it makes in financial allocations.

**The Convener:** The University of St Andrews relies on SFC grants for around 25 per cent of its funding, whereas the University of the Highlands and Islands relies on SFC grants to the tune of about 83 per cent. Cabinet secretary, you must be concerned about those universities that are much more reliant on SFC funding, given the fact that you are cutting that funding.

**John Swinney:** The first thing to say is that the university sector will get an increase in cash terms in its budget in 2017-18 compared to 2016-17.

**The Convener:** It will get an increase in cash terms, but not in real terms.

**John Swinney:** Yes, convener. Those were my words: in cash terms. The university sector will get an increase in the resources that it receives from the Government in cash terms in 2017-18.

The second point to make is that Mr Kemp stated to the committee—I have taken exactly the same approach in reinforcing the SFC's position—that the SFC takes into account the financial

health of individual institutions, which is the product of a variety of factors, in arriving at its financial decisions. The figures that you cite, convener, showing the difference in dependence on Government funding of the University of St Andrews at one end of the spectrum, and the University of the Highlands and Islands at the other end of the spectrum, are a measure of the difference in financial position of each institution, which is taken into account.

Taking the University of the Highlands and Islands as an example, I have to say that we are seeing the emergence of a much stronger institution that is now attracting significant credibility through its research work. I imagine that, over the course of time, we will see the University of the Highlands and Islands broadening its financial base. It is an emerging institution that is being funded by the Government to support that development. However, as time goes on, a greater proportion of the university's income will, for entirely desirable reasons, come from other sources because of the growth in its research excellence.

09:45

**The Convener:** We would all hope the best for the UHI, but I do not think that it is satisfied with the fact that it is managing to recover only 94.2 per cent of the full economic cost of providing teaching. Are you telling me that you are not concerned, given the fact that you take a university's reserves and all its income into account, that you are still underfunding teaching in the universities that have fewer reserves to draw on? Is that not of concern to you?

**John Swinney:** What I said is that I look to the SFC to look at the overall financial health of institutions in making the decisions that it makes. I have said that I recognise that universities have a range of financial resources at their disposal, and I recognise the importance of universities taking forward their operations as independent organisations that are responsible for the delivery of efficiency within their organisations.

**Liam Kerr:** When the SFC comes to that decision, is the size of a particular institution's reserves a relevant consideration in allocating funding?

**John Swinney:** The overall financial health of institutions will be taken into account by the SFC. I do not make the operational decisions of the SFC, but I would be surprised if reserves are not a factor that is taken into account in that judgment.

**Liam Kerr:** Does that not concern you at all given that, by definition, reserves are not necessarily to be used as a day-to-day funding stream? Also, my recollection is that an awful lot of

the sector's reserves are held in assets. Is there not a question about whether you are asking the sector to liquidate its assets in order to sustain its funding?

**John Swinney:** Let me give you an example. If a university that owned some buildings and land wished to sell those assets to raise a capital receipt to enable it to fund an improvement in estate and the development of some more world-class educational facilities, that would strike me as an absolutely prudent and sustainable decision for a university to make. That is the type of decision that a university is free to make when it has control over its asset base and has the resources at its disposal, and universities do that all the time.

**Liam Kerr:** Yes, but that is not what I was asking about. The convener made the point that there is potentially a shortfall in a university's ability to provide a service and there is a danger that, in order to cover that shortfall, the institution could be forced into a fire sale of assets.

**John Swinney:** No. As I said to Mr Beattie, there is a need for all institutions in the public sector—be they universities or anything else—to look at how they undertake their operations and maximise the efficiency and value for money that are delivered. Our universities cannot be exempt from that process and I would be surprised if the committee took the view that the universities should be exempt from that process, as we require that of every other aspect of the public services.

Universities have to look—as they do—at how they undertake their operations and approaches to ensure that they are fiscally sustainable. The point that I am making is that the Government's contribution to the funding of the university sector is a minority contribution given the other sources of income that the universities have.

**The Convener:** We know about the Government's policy on tuition fees for Scottish students. Is it the Government's intention to cover the full cost of teaching for Scottish students at university?

**John Swinney:** The Government makes its contribution. We have protected the teaching grant for the universities, and we have made it clear as part of the funding settlement that we have done that. We have also protected the research grant for universities and the resources that are available for widening access. That is inherent in the funding settlement that we have given to universities.

**The Convener:** So your Government makes a contribution towards teaching, but it does not cover the whole thing. Whether the university can meet the shortfall in teaching Scottish students is up to it. Is that right?

**John Swinney:** We make a contribution to the universities, which represents a minority of their funding. As private organisations, universities have to deploy their resources in the fashion that they see fit.

**The Convener:** So whether the cost of a Scottish student's teaching is met really depends on which university they apply to.

**John Swinney:** No—that is not the case at all.

**Gail Ross (Caithness, Sutherland and Ross) (SNP):** Good morning, cabinet secretary.

I have a declaration of interests to make. I am a board member of North Highland College, which is part of UHI.

I want to go back to funding, particularly for UHI. The elephant in the room that has not been addressed is EU funding. A third of UHI's external funding comes from the EU. Unfortunately, we still have a lot of questions about where that money will come from in future, although that is probably not an issue for today.

I want to touch on student debt, especially for students from deprived and rural areas. In an answer to Ross Thomson, you touched on calculating the deprivation in rural areas. We have said for a number of years that the SIMD calculations often do not take that fully into account, so I am pleased to hear that another calculation is now being used for that.

In your opening statement, you said that there has been a 1.1 per cent increase in students from the most deprived areas. The Audit Scotland report says:

"students from deprived areas ... have higher levels of student loan debt".

Are the projected levels of student debt preventing students from deprived backgrounds from applying to universities?

**John Swinney:** The proportion of first-degree entrants to Scottish universities who are from the 20 per cent most deprived areas has risen from 11.2 per cent in 2006-07 to 14 per cent. Therefore, significant progress has been made in that respect as part of the Government's work.

On student debt, obviously we have to look at comparative information. The average student loan debt in Scotland, which is £10,500, is the lowest in the United Kingdom—that compares with £24,640 in England—and the average support is the highest that it has ever been. It was £5,720 per student in 2015-16, which was up by 2 per cent on the figure for 2014-15.

I acknowledge that individual students will have to make judgments about whether a university approach is appropriate for them, and their

personal financial circumstances will very much come into mind in that respect.

Those issues underpin the Government's approach, but they have also prompted us to commission the student support review, which is designed to look at many of the questions that Gail Ross has raised.

**Gail Ross:** When is that review due to conclude?

**John Swinney:** It will conclude in the spring of 2018.

**Gail Ross:** My next question cuts across "Scotland's colleges 2016". A couple of weeks ago, I was at a National Union of Students event in the Parliament. It was mentioned to me there that accommodation is one of the main things that students spend their money on, and they often get to the end of the month and have to apply for extra, emergency funding because they have spent all their grant on it. We have asked UHI to do a survey of the Highlands to see what can be done there. Can the Government give any support to students for accommodation? What is your general opinion on the costs of that?

**John Swinney:** The Government gives its support as part of a support package. It is not compartmentalised in the sense that there is an allocation for accommodation or for other items. A general financial approach is taken. The fact that the cost of accommodation can be significant should be borne in mind by students when they decide on the appropriate route to take. The student support review can explore Gail Ross's specific point as part of its responsibility to ensure that we properly address, on an on-going basis, the needs of young people in that respect.

**Monica Lennon (Central Scotland) (Lab):** Good morning, cabinet secretary. The committee received written evidence from Universities Scotland, which I have in front of me. I am struck by a line in bold that simply says, "HE is underfunded." We have heard a lot today about the cocktail of funding that universities receive. The submission from Universities Scotland says:

"Since the Audit Scotland report the financial risks identified by the Auditor general have intensified."

That will be of concern to everyone around the table today. The Audit Scotland figures that we received last year reported a 6 per cent real-terms reduction, and the draft budget for 2017-18 points to a further real-terms cut of 1.4 per cent. Do you accept that financial risk to the HE sector is increasing as is set out in the paper from Universities Scotland?

**John Swinney:** Let me go through a few points on the funding of higher education, the first of which relates to the budget for 2017-18. As I have

indicated, there is a cash increase in the budget. As part of its agreement with universities, the Government agreed to enable them to charge for some postgraduate activity, which will boost their income. We anticipate that that will generate in the order of at least £8 million of new income for universities. When we take into account the impact of that, the net reduction in resource expenditure for universities is £5 million in 2017-18. However, as I have said to the committee, there is an overall cash increase in the universities' budget from the Government.

My second point relates to the future financial outlook. The proposal to charge for some postgraduate activity came out of the strategic financial dialogue between the Government and the university sector. We have enabled that to happen to assist universities to raise more revenue. As part of that dialogue, we look at the financial outlook and the challenges that universities face. I acknowledge, as part of that discussion, the significant nervousness on the part of universities about the implications of withdrawal from the European Union. That will be a significant issue to be considered with the universities, and we are committed to doing that. We do not yet know what the implications will be, but we can be certain that there will be implications. Our strategic funding dialogue with universities will look at those very questions to ensure that we work in partnership with the sector to address the challenges.

**Monica Lennon:** Does that mean that you agree that the financial risk is increasing? You have rightly touched on the EU implications. Is Universities Scotland right to feel increasingly nervous?

10:00

**John Swinney:** As I talk to the universities regularly, I know that there is a lot of nervousness in the sector about the implications of the Brexit decision. I do not think that the Government could be engaging more closely with the sector on the issue, because we share those concerns and an integral part of the approach that the Government is taking on the European question is in trying to safeguard the interests of our universities.

**Monica Lennon:** The submission from Universities Scotland also refers to the number of universities that reported a deficit. It states:

"In 2014-15, seven Scottish institutions were in deficit."

Can you update the committee this morning on any more recent figures? Does the situation remain the same or are more universities in deficit?

**John Swinney:** I do not have any more up-to-date information for the committee, but the information comes as part of an Audit Scotland report that fundamentally says that the universities are a successful and financially strong sector.

**Monica Lennon:** Back in October, the committee took evidence from Audit Scotland on the report that we are discussing today. When the Auditor General was asked during that session whether the funding levels were sustainable, she said that that was a question for the Government rather than for her, so I want to put that question to you, cabinet secretary. Given that we have talked about the increasing risks, is the picture sustainable going forward?

**John Swinney:** I think that it is. There is a cash increase in the university budget for the forthcoming financial year, there is a significant increase in the capital budget and we have assisted the universities to increase their income base. I think that the settlement is sustainable.

I reinforce the point that I just made about the European question. We have taken input from the universities into the heart of the Government's deliberations on the issue. Professor Anton Muscatelli, the principal of the University of Glasgow, is immersed in the standing council on Europe that the First Minister has established, and we are very grateful to Professor Muscatelli and his colleagues for their high-quality input to our deliberations. We will continue to discuss with them the implications of the European situation as they become clearer in the years to come.

**Monica Lennon:** When we heard from the Auditor General in October last year, she told us that Audit Scotland is

"concerned that the ambitious policy commitments around widening access and the funding of student support will butt up against some of the cost pressures that universities already face".

With that in mind, the Auditor General stressed how important it is that

"the Government and the funding council, together with universities, understand how those pressures will be faced."—[*Official Report, Public Audit and Post-legislative Scrutiny Committee*, 6 October 2016; c 6.]

Can we get some clarity on how those discussions are going?

**John Swinney:** Our dialogue with the universities informed the budget process. My officials met a group from Universities Scotland on many occasions in the run-up to the formulation of the 2017 budget, and I met the Universities Scotland grouping on two occasions in advance of the budget process to discuss particular issues and to arrive at the financial settlement that we arrived at. As I have indicated, that dialogue will continue going forward, and it will address the

issues that become prevalent, particularly around the implications of the decision on European Union membership.

**Monica Lennon:** You spoke earlier about the different options and the choices that universities have to make. I will pick up on an issue about the University of the West of Scotland—in particular, the Hamilton campus—that was reported in the press last week and was raised at First Minister's question time. I have here somewhere a letter that we received from the Scottish funding council in response to questions raised by the committee. It refers to the £50 million reprofiling or clawback—I am not sure what the latest terminology for it is. You will be aware that the campus in question is in my region. From local knowledge and from having followed the issue carefully, it appears to me that the project was abandoned. The university has had to make a different decision, which means that the campus will close. Is it still your position that that decision was in no way affected by funding issues that were faced by the Scottish funding council?

**John Swinney:** First, the campus in question will not close; it will move to modernised premises—that is a better way to express it. Secondly, in my view, there were no implications from the Government's decision to ask the Scottish funding council to transfer the underspend that it had acquired in 2012-13 back into the Government's funds, because, as Mr Kemp makes clear in his letter to the convener of 1 February, the project in question was not committed to at any stage.

**Monica Lennon:** Can you then explain what your predecessor, Angela Constance, meant when she said in portfolio question time on 7 October 2015 that, in relation to the Scottish funding council's infrastructure investment plan, the

"redevelopment of the UWS Hamilton campus"—

I think that she meant at the Almada Street location—

"will feature as one of the highest priorities"?—[*Official Report*, 7 October 2015; c 13.]

**John Swinney:** The funding council has regular dialogue with institutions about particular projects and proposals, but those projects and proposals have to go to a position of financial agreement and commitment. As I have set out, that was not the case with that project, although steps have now been taken to ensure that the campus is developed at the Hamilton international technology park.

**Monica Lennon:** The background is that Bell College and the University of Paisley merged in 2006, which created the University of the West of Scotland. In an email that I have obtained that was sent in March 2013 by Tracey Slaven, who was

the then deputy director and head of the HE and learner support division—I do not know whether she is still in post—she made it clear that, when the merger happened in 2006, there was an expectation that the Scottish funding council would redevelop the existing campus. However, the email says that the world had changed because of the

“global financial crisis and the constraints on public capital.”

Did the Scottish funding council know several years ago that it would not be able to support the project?

**John Swinney:** You would have to put that question to the Scottish funding council. I do not know what its views are in that respect. The key point that I come back to is that the project was not committed, although proposals are now being taken forward.

**Monica Lennon:** Thank you.

**The Convener:** Monica Lennon asked about the Universities Scotland submission, and you said that the university sector has “sustainable” financial health. However, the first key message in the Universities Scotland submission, which I have in front of me, is in bold and it says, “HE is underfunded.” Do you agree with that?

**John Swinney:** No, I do not.

**The Convener:** You simply do not agree with—

**John Swinney:** The Government has given appropriate financial support to the university sector. We have increased in cash terms the budget that is available to universities in 2017-18 from what the sector had in 2016-17. Given the constraints on the public finances, the Government has given an appropriate and effective financial settlement to the universities.

**The Convener:** The fact that that is Universities Scotland’s first key message suggests to me that it feels that you should be meeting more of the research costs and that teaching costs should be fully funded. Is that its perception?

**John Swinney:** I do not speak for Universities Scotland. I set out the Government’s view as a product of dialogue with the university sector about what we consider to be an appropriate and sustainable financial approach. We have had extensive discussions with the university sector on those questions. We have explored how we can assist with increasing universities’ income, come to a conclusion and put in place a financial assessment that leads to an increase in the resources that are available to the sector in the forthcoming financial year.

**The Convener:** That is not a real-terms increase, as I think you have admitted.

**John Swinney:** It is not that I have not admitted that. I said that the increase is in cash terms—I completely accept that point. However, I have set out all the detail on the numbers to the committee today, and I consider it to be an appropriate and sustainable financial settlement.

**The Convener:** Given the tone of Universities Scotland’s submission, I do not think that it would agree with that.

We have talked about the University of the Highlands and Islands. You said that—I am paraphrasing you, but I think that this is correct—its research capacity is increasing and that it will draw on that success to meet the teaching shortfall. Your Government is not meeting the full economic costs of undertaking that research even when private research grants are given. If you are underfunding research and teaching, how can your financial settlement to the sector be, to use your word, “sustainable”?

**John Swinney:** Can you provide me with the detail on your point about research, convener?

**The Convener:** Yes. The Audit Scotland report says:

“University research funding from all sources covered 84.8 per cent of the full economic cost of undertaking the research in 2014/15.”

**John Swinney:** There are different points here. The Government has a financial commitment to fund not all research activity in universities but some of it. It gives a research grant and, as we committed to do, we have sustained research funding to universities. However, universities obtain their research funding from a variety of sources.

**The Convener:** I understand that, cabinet secretary, but many universities say to me—as, I am sure, they say to you—that, even when they get private research grants—Scotland has a worldwide research reputation—the cost that the Scottish funding council is supposed to meet to provide for the facilities that would allow them to pursue the research is not being met by the Government.

**John Swinney:** Universities are autonomous institutions that must make their own decisions about the projects that they pursue, the research grants that they try to obtain and how they deliver those projects. They are internally responsible for the financial management of those projects. I return to my point that the university sector must play its part in the Government’s efficiency agenda in the context of today’s public finances.

**Liz Smith:** I return to the issue of the £50 million, which there seems to be misunderstanding and, perhaps, misinformation about. First, I completely understand the argument that



differentiates the fiscal year from the academic year and how money can be carried over. Will you confirm that the £50 million was issued in 2011? Is that correct?

**John Swinney:** The cumulative underspend had built up over time, and at the end of 2012-13 it became clear that it was of a greater magnitude than should be carried by the Scottish funding council.

**Liz Smith:** Okay. Were universities informed in academic year 2011-12 that additional money was available from the funding council?

**John Swinney:** I do not see why the funding council would do that, because it had made available all the financial commitments that it had made to the universities in that and every other financial year.

**Liz Smith:** What is your understanding of how that money was to be used?

10:15

**John Swinney:** The funding council makes its financial commitments to institutions. Once that is all done and dusted, at the end of the financial year, it will reconcile its numbers. If my memory serves me correctly, at the end of the financial year 2012-13 it had a cumulative underspend of about £69 million, which is far too high. All organisations are obliged—these were my rules—to report underspends to the Government. Obviously, the Government has first call on underspends, and it was my judgment that that was too high an underspend to be carried, given that the funding council had fulfilled the commitments that were made to universities and colleges.

**Liz Smith:** If my memory is correct, at the time the universities were very concerned about the potential for them to be in greater financial difficulty because of the increase in university fees down south, which allowed institutions there to bring in more money. Was it the intention for some of that additional money to be used to help to address that situation?

**John Swinney:** No, because the financial commitments that were made to the universities had been fulfilled. What Liz Smith sets out as the policy rationale for what was to be achieved at that time had been translated into a financial settlement by the funding council and delivered to the universities. Once that was done, there was then a cumulative underspend of £69 million.

**Liz Smith:** Was it your predecessor's intention that that money would be clawed back at that time?

**John Swinney:** When the cumulative underspend was made clear to me in my former role as finance secretary, I made it clear that that resource would have to come back into the Government.

**Liz Smith:** Okay. I think that I am correct in saying that, on 20 February 2014, the Scottish funding council board received confirmation that the Scottish Government had advised it not to apply the £50 million fund. Is that date correct?

**John Swinney:** Yes, but that was not the first time that the funding council had been advised of the position.

**Liz Smith:** Could you tell us when the first time was?

**John Swinney:** The first discussion with the Scottish Government took place in September 2013.

**Liz Smith:** The funding council knew then that the £50 million would have to come back in.

**John Swinney:** Yes.

**Liz Smith:** Thank you.

I think that I am also correct in saying that, on 2 October 2014, the Scottish Government issued further confirmation that it wanted the money back.

**John Swinney:** That is correct.

**Liz Smith:** Could you confirm that, between September 2013 and October 2014, there was absolutely no discussion going on between the funding council and institutions about how that specific £50 million would be spent?

**John Swinney:** I cannot confirm that; the funding council would have to confirm that.

**Liz Smith:** It is my understanding that the funding council is suggesting that there was no discussion with any institution about that. If that is correct, why did the Scottish Government not ask for that money back when it first confirmed that it was going to do so in September 2013?

**John Swinney:** That is a different issue. When I was managing the public finances, I had to deal with the impact of a range of different factors in relation to cash management and budget management, which are different things within Government. In budget management terms, the £50 million had arisen, and I would have registered it as an underspend that was coming back into the Government and could be deployed for purposes that would be determined by the Government. That is how the financial rules of the Scottish Government work. However, it might not have been necessary for us to utilise the cash, because we had sufficient cash to cover our existing budget commitments. The point at which it

was recovered by the Scottish Government was when we required to utilise the cash for expenditure purposes.

**Liz Smith:** That raises two further points. We have had evidence presented to us about the fact that the universities are complaining strongly that they feel that they are underfunded, and two members have questioned you about that. The Scottish Government's argument is that all the financial commitments had been made. That could well be true, but it does not tie up with the fact that people are complaining—this is only natural—that they would like some extra money.

Does that not raise the question whether the funding council is being effective in its discussions with the Scottish Government about where that money should be put? Are you as cabinet secretary happy that, at a time when we have this underspend, universities are asking for more cash because they feel that they are underfunded?

**John Swinney:** There are two very different questions in there. The funding council operates independently but within the ambit of Government. It gets a ministerial letter of direction; it has to follow certain rules; and those financial rules apply to every part of the Government's financial framework.

That was the approach that I put in place, and I make no apology for it. When people faced financial challenges, they had to come to me to sort them out and I needed resources at my disposal for that. Everyone was required to show their underspends, and they did so in good faith, because they did not know when they might face a financial challenge. I was the only person they could come to in order to fix it, and I fixed it for them over a period of nine years. That was the way I ran the system. The funding council was doing exactly the right thing by highlighting its underspend, and I took appropriate action to deal with it.

On the second question, which is whether people can do with more money, I simply point out to Liz Smith that in 2016-17 the Government made an in-year allocation, in addition to the budget, of more than £46 million to the HE and FE sectors for additional priorities. This is not just a one-way street; other money is going back into the sector to meet particular commitments and priorities. Liz Smith will be familiar with the announcements that have been made about capital acceleration and other factors to boost the funding of the sector.

**Liz Smith:** The point still stands that we have evidence to suggest that universities feel underfunded. Notwithstanding what you have just said, there is an issue about having some capacity for reserves.

The other issue, which is perhaps just as serious, arises as a result of a report that was in *The Herald* two weeks ago. The newspaper had got hold of an internal Scott-Moncrieff report into the way the funding council had operated that had made a very strong recommendation with regard to a lack of transparency in relation to this matter and what might have been mismanagement of the way in which the information had reached the public. The suggestion was that the communication between the Scottish funding council and the Scottish Government had been—to put it mildly—not very good. I wonder whether you can comment on that.

Given that it is spending public money, the Scottish funding council has an absolute obligation to be as transparent as possible and completely up front in its communication. It is a great pity that the issue has dragged on for two or three weeks now and that we have a situation involving a substantial sum of money and a communication process that we are not entirely clear about. Do you accept that there is an issue here for the funding council to address?

**John Swinney:** I think that the funding council has done absolutely the right thing by commissioning Scott-Moncrieff to look at the issues and its internal processes as a result of the situation. In my view, the funding council has exercised its responsibilities appropriately by exploring and examining the issues and seeing how it can strengthen its practice. It should be commended for doing so.

**Liz Smith:** Is it not correct that the Scott-Moncrieff report was very critical of the funding council's actions and of its not being fully transparent about the way in which the issue came to light? I think that I am right in saying that it has taken John Kemp two weeks to write to the committee in order to disagree with what was in the newspapers. Is that correct?

**The Convener:** I should point out for clarification that we wrote to John Kemp about the issue only a couple of days ago.

**John Swinney:** I will make two points. First, the funding council will constantly look to strengthen its processes and practice. That is the context in which it commissioned the Scott-Moncrieff report, and it should be commended for doing that to strengthen its practice.

The second point, on transparency, is that the issues have been shared with Parliament. They were shared with it by the Cabinet Secretary for Finance and the Constitution on 29 June in response to provisional outturn issues, and they have been included in the accounts, and in the scrutiny of the accounts, of both the funding council and the Government.

**Liz Smith:** The lack of transparency is a very serious issue. It goes to the heart of the role of the funding council, which, as I have said, deals with substantial sums of public money. There are major issues. In light of our earlier discussions about perhaps a changed role and structure for the funding council—you have talked about that this morning—will you look at that?

**John Swinney:** The funding council has a role to undertake, and it does that well. It has looked to improve its practice as a consequence of issues that have arisen. I work with the funding council, and I will issue it with a letter of ministerial direction, in the normal fashion, in which we will set out the approaches that we want it to take.

**Liam Kerr:** I want to ask a brief supplementary question. Monica Lennon asked about the impact of funding pressures. Audit Scotland has said:

“It has become more difficult in recent years for Scottish ... students to gain a place at a Scottish university”.

As we have heard, that is a function of finite funding and the universities’ need to access different funding streams. What are the cabinet secretary’s thoughts on that? Is it acceptable that, as a result of decisions at a Government level, some people who have suitable qualifications and ambitions will be denied a university education in Scotland?

**John Swinney:** The number of Scotland-domiciled full-time first-degree entrants to Scottish universities has risen by 11 per cent.

**Liam Kerr:** I accept that, but—

**John Swinney:** Therefore, I do not understand the premise of Mr Kerr’s question.

**Liam Kerr:** The premise is that an extraordinary number of constituents contact me to say that their child is appropriately qualified to go to university, but there is no place for them as a result of decisions that have been taken.

**John Swinney:** First, the evidence that more Scotland-domiciled students are gaining entry to university is undeniable. Secondly, not everybody who wants to go to university can do so. I have said that quite openly to Mr Thomson already. An entrance system has to be applied by the universities. From our perspective, the news that the number of Scotland-domiciled students is rising is welcome.

**Liam Kerr:** That is an answer to a question that is different from the one that I asked, cabinet secretary. The statistic that you mentioned appears to be true—

**John Swinney:** It is true.

**Liam Kerr:** I also accept that not everyone who wants to go to university can do so. However, my

question was about the number of places that are available to Scottish students who are qualified to go to university and want to do so. University would otherwise be the appropriate destination for them, but they are unable to go to university because there are no places available as a result of decisions that have been taken.

**John Swinney:** Mr Kerr has accepted my point that not everyone who wants to go to university can do so. We are not in dispute about that.

My statistics on the number of Scotland-domiciled full-time first-degree entrants are correct. The number has risen by 11 per cent.

I go back to a point that I made to, I think, Mr Thomson. In the Scottish system, we undertake quite a large proportion of higher education activity in colleges. The higher education participation rate in Scotland is 55 per cent, if we take both HE and FE institutions into account. The higher education participation rate in England is 48 per cent. We just have a different model for the undertaking of that activity, and a different approach to it.

10:30

**The Convener:** Correct me if I am wrong, but I think that young people have an expectation that, if they work hard and get the qualifications that they need in order to get into university, the Scottish Government—given its commitment to fund their education—will ensure that there is a place for them. Do you think that that is an unreasonable expectation?

**John Swinney:** I want to ensure that young people are able to fulfil their expectations. We have a significantly higher HE participation rate than south of the border. We also have high levels—

**The Convener:** With respect, cabinet secretary, I am not interested in England; I am interested in the Scottish students who work hard at school, get their qualifications and expect your Government to pay for a university place for them but find that it is not possible to get into university.

**John Swinney:** We have a rising number of positive destinations for young people, who leave school and go into either higher education, further education, modern apprenticeships, skills development, employment or other positive destinations. There is a rising trend of positive destinations. We do everything that we can to ensure that young people are able to fulfil their potential.

**The Convener:** Do you agree that the situation that I described—of young people in Scotland who want to go to university and are qualified to go to university but who cannot get in—is one that exists in Scotland?

**John Swinney:** I am sure that it exists. My fundamental point is that not everyone who wants to go to university is able to go to university.

**The Convener:** Do you accept that that situation has been created by other spending priorities of your Government?

**John Swinney:** No. The Government is adequately and strongly supporting and funding higher and further education. My point about the participation rate involves higher and further education and concerns the financial settlements that have been put in place for higher and further education sectors as a consequence of the Government's decisions.

**The Convener:** So, in your view, it is quite okay and correct that students can work hard at school and get the qualifications that they need to go to a Scottish university but not get a place.

**John Swinney:** What is okay for me is that young people are increasingly able to end up in positive destinations as a result of their school and educational activity, and that is a rising trend under this Government.

**The Convener:** So it is satisfactory that they get a place at college rather than at university, even though they are qualified to go to university.

**John Swinney:** That is my very point—you make my point for me. Increasingly, Scottish students are able to undertake higher education qualifications in a further education setting, and that is welcome. To take the example of the area that Gail Ross represents, as a consequence of the growth of the University of the Highlands and Islands, more young people in the Highlands and Islands are able to gain access to higher education qualifications in a further education setting, which means that they do not contribute to the rural depopulation of those areas, which is welcome.

**The Convener:** I think that the Government's expectations are at odds with the expectations of the general population. There is an expectation that the Government will fund places for students who work hard to get the qualifications that they need to go to university. The students have an expectation that they will be able to go to university, rather than being offered a place elsewhere. Perhaps the Education and Skills Committee can consider that.

**Liz Smith:** May I ask a supplementary question?

**The Convener:** Yes.

**Liz Smith:** I do not disagree with the statistics that the cabinet secretary has just read out, and I agree that many of them are encouraging. However, the problem is that the supply of places

has gone up by 9 per cent over the past few years whereas demand has gone up by 23 per cent.

Do you acknowledge that, as Jenny Marra has said, particularly because of the capping policy and other constraints arising from Government policy decisions, many very well-qualified Scots who would like to go to college or university are finding it difficult to do so? What does the Government intend to do to relieve that pressure? Many parents want to know that. I am sure that the Scottish Government wants to encourage as many of our very well-qualified Scots as possible to stay and work in Scotland, as that has a huge economic benefit. Are you concerned about the issue that I have outlined?

**John Swinney:** Liz Smith says that she welcomes the figures that I have given, but then proceeds to ignore them.

**Liz Smith:** No. I am not ignoring them at all.

**John Swinney:** The ignoring of the figures fundamentally underpins her question.

**Liz Smith:** Not at all.

**John Swinney:** There has been an 11 per cent rise in the number of Scottish-domiciled students entering university for a first degree. However, the second point is that we are also seeing acceptance levels increasing steadily and, crucially, in an increasingly inclusive way for people from deprived backgrounds. We therefore have all that pattern, plus the acceptance levels for the further education sector, for which we have set out commitments, and the higher participation rate in higher education that I have set out. I accept that not everybody is able to get a place at university and I am not trying to say that that is not the case.

**Liz Smith:** There is nothing new in that.

**John Swinney:** What I am saying is that there is a strong and high level of participation in the system.

**Liz Smith:** Cabinet secretary, those are not mutually exclusive and I completely accept all the statistics. The problem is that there are more well-qualified domiciled Scots who would like to take up places and add to those statistics, but they cannot do that because of the capping policy and other decisions.

**John Swinney:** I come back to the strength of the participation level that is highlighted across higher and further education, which must be taken into account in considering that question.

## “Scotland’s colleges 2016”

**The Convener:** Under agenda item 3, we turn to questions on further education.

**Colin Beattie:** Cabinet secretary, I want to look first at the treatment of depreciation funds, which have been the subject of discussion in this committee. There are two aspects to the issue, the first of which is that there is a feeling that depreciation funds, being non-cash expenditure, somewhat distort the results of colleges in terms of their financial viability. Secondly, depreciation funding is provided by the Scottish Government against the non-cash expenditure, but I understand that the colleges have to get agreement every year on what that money will be spent on, which implies that it is not necessarily a permanent arrangement. Are you able to give us a bit of information on that?

**John Swinney:** It is a very complex area of accounting treatment, and we actively work with the colleges sector to try to ensure that the issues involved can be handled as effectively as possible. We have some on-going work with the colleges sector on how we can make the process more operationally straightforward for colleges and we expect to have some progress on that towards reducing the complexity in due course.

**Colin Beattie:** Do you have a timescale for that?

**John Swinney:** I would like us to make progress on that in the short term, because I am aware that the issue has caused considerable challenge and difficulty for the sector.

**Colin Beattie:** According to the information that I have, £100 million was donated to arm’s-length foundations originally but the SFC estimated that around £55 million will have been returned to the sector by the end of 2016-17. Regarding the remaining £45 million, you said in your written submission to the committee:

“Based on current spend levels, existing ALF resources will be fully utilised by 2019-20.”

What is the £45 million actually being spent on?

**John Swinney:** There will be a variety of propositions around capital projects, given the nature of the resources that have been deployed. However, the ALFs are run by independent boards of trustees, which have to make appropriate decisions based on the terms and statute of the trust.

**Colin Beattie:** As you have said that the resources will be “utilised by 2019-20”, I presume that the colleges must have submitted some sort of plan that indicates that the funds will be utilised by that time.

**John Swinney:** That information will have been provided to us by the arm’s-length foundations. We can provide more information to the committee if that would help.

**Colin Beattie:** Thank you.

Regional boards have not come under much scrutiny from the committee, so if you will forgive me I will ask an open question. There has been a little bit of debate here and there about whether the regional boards are effective and the level of that effectiveness. Do you have a view on that?

**John Swinney:** The regional boards are there to provide a function in areas of the country where we have a number of colleges operating in a locality. Their function is to provide clarity and direction to the way in which further education services are provided and deployed, and to ensure that there is effective read-across among the individual colleges that work within the regional board structure.

The boards provide a good and effective interface between the work of the funding council and the individual colleges, particularly where we have a concentration of college activity in a locality.

**Colin Beattie:** Paragraph 82 of the Auditor General’s report says:

“The SFC’s role in regulating college governance is not clear and it has not been effective in dealing with some issues.”

Paragraph 85 states that there is a draft document that

“proposes a more regulatory role for the SFC on governance arrangements ... but it does not specify how the SFC should enforce this role.”

Clearly, there is benefit in having a strong hand at the tiller, so to speak, but the SFC—as it pointed out when it appeared before the committee—only seems to have the option to withhold funding. At the end of the day, it would not benefit the students if that line of penalty were put in place. Are there any plans to review the situation and to find other ways in which the SFC could be effective in its regulatory role?

**John Swinney:** Work needs to be undertaken to ensure that the issues raised by the Auditor General are properly assessed and considered. I am happy to take that forward with the Scottish funding council.

**Liam Kerr:** On your commitment to full-time places, your submission to the committee points out:

“Over the last Parliament, we maintained 116,000 Full-time Equivalent college places.”

Do you accept that the policies that are being undertaken come at the expense of part-time

places? According to Audit Scotland's report, we seem to have lost about 152,000 part-time college places, which would be a 48 per cent drop. Do you agree with that conclusion?

**John Swinney:** I acknowledge that there has been a change in the balance of part-time and full-time courses in colleges. That has essentially been driven to try to provide courses that would lead to skills that are more relevant for entrance into the workplace. We have a range of part-time courses available where the skills are necessary and appropriate to gain access to the workplace. Fundamentally, that decision has increased the relevance of the qualifications leading to employment.

The majority—65.9 per cent—of total enrolments at college are on part-time further education courses. Therefore, a substantial proportion of part-time courses are still provided, because they are relevant to the world of work, but we have seen a significant increase in full-time courses into the bargain. The increase is about 33 per cent, if my memory is not letting me down.

10:45

**Liam Kerr:** Do you accept that the significant reduction in part-time courses has had a disproportionate effect on women and those who are furthest removed from the labour market? That is certainly what Audit Scotland reports. Does that concern you at all?

**John Swinney:** We have to bear it in mind that, not surprisingly, women account for the majority of college enrolments—they accounted for 51 per cent of enrolments in 2015-16. The number of women on full-time courses has increased by over 12 per cent since 2006-07. Therefore, to come back to the point that I made a moment ago, there has clearly been a rebalancing of activity between part-time and full-time courses. Clearly, some part-time courses will not be available for women to participate in. However, two points are relevant. First, the majority of college enrolments are women, at 51 per cent, and secondly the majority of college enrolments are still in part-time further education courses.

**Liam Kerr:** Again, does that not answer a slightly different question? The number of female part-time students has fallen by 53 per cent. The policy has had a disproportionate impact on women studying in further education. I accept all the other points that you make, but does that point not concern you?

**John Swinney:** I am explaining the change in policy. The Auditor General recognises in the report that there has been a shift of policy to concentrate on trying to enable people to have the skills to gain access to employment. We have to

look at the wider context. The level of female employment in Scotland has risen over the past couple of years, which indicates the positive destinations that are arising as a consequence of female participation in the college sector and acquisition of the skills required to enter the labour market. We are seeing a different profile of participation in the college sector compared with what was the case before. The policy rationale was to equip people better to enter the labour market, and we are seeing rises in female employment.

**Monica Lennon:** I want to continue on the point that Liam Kerr has been exploring. The Auditor General also said that she was concerned that the Government did not carry out, in advance of making the policy decision, an impact assessment to consider what was likely to happen to the people who could not gain places in further education. Why was that not done?

**John Swinney:** We undertook an assessment of that type in 2011, but it was not undertaken in 2009, and the Government should have done it in 2009.

**Monica Lennon:** So it was carried out retrospectively.

**John Swinney:** Yes, it was.

**Monica Lennon:** I know that you like to work with evidence, cabinet secretary, so what evidence informed that policy shift, which came into effect in 2009?

**John Swinney:** The evidence was about the need to ensure that we created a skills base that would enable more people to enter the labour market, particularly given the challenging economic circumstances that we faced in 2009. The Government was acting as swiftly as we could in difficult economic circumstances—that is why no impact assessment was done at the time—to try to make it possible for people to acquire the skills to enter the labour market and to ensure that Scotland had a workforce that was equipped to make the most of the economic opportunities that arose in the period of economic recovery.

The evidence that would come into that equation would be the evidence that is gathered in the skills assessments that are undertaken in different sectors of the economy, where we identify skills needs on an on-going basis. That is a core part of the responsibility of Skills Development Scotland. That type of research process has gravitated towards skills investment plans, which are now taken forward across a range of sectors and which are designed to identify what skills we require in the workforce and to provide individuals with routes that enable them to secure those skills.

**Monica Lennon:** I think that members of the committee are still rightly concerned about the huge numbers. There has been a 40 per cent decrease in the number of part-time college places, which has had a disproportionate impact on women, who often have to deal with childcare and other caring responsibilities. It is regrettable that that has happened.

Another issue that we explored with the Auditor General is college mergers. We have received evidence that it is impossible to tell, due to a lack of baseline information, whether the projected £50 million of savings was realised. Is that a fair summary?

**John Swinney:** The merger programme was evaluated by the Scottish funding council and the evaluation process identified a range of benefits that were a consequence of the programme. In the financial models, it can be slightly difficult to pin down all the savings and attribute them to the merger process, because colleges are dealing with complex arrangements as part of their work. However, the evaluation that was undertaken by the funding council highlighted a number of strengths that emerged from the process and concluded that the £50 million of savings was being delivered.

**Monica Lennon:** I am just refreshing my memory. In her opening remarks back in October, the Auditor General said that

“the Scottish Government is still not able to fully measure the benefits and costs of its merger programme.”—[*Official Report, Public Audit and Post-legislative Scrutiny Committee*, 6 October 2016; c 18.]

**John Swinney:** In the report that the funding council published on 22 August, it found that college reforms are now delivering annual savings of more than £50 million. That is evidence from the funding council that was available prior to the Auditor General’s statement to the committee.

**Monica Lennon:** So, the Auditor General was incorrect when she advised the committee two months later.

**John Swinney:** I do not speak for the Auditor General. I am simply saying that that was the conclusion of the funding council in its report published on 22 August.

**Monica Lennon:** The Auditor General made it clear that she believed that the Government was not in a position to fully measure the benefits and costs of the merger programme. I think that the committee will want clarification. Was the Auditor General incorrect?

**John Swinney:** It is not for me to speak on the Auditor General’s behalf. What I can do is ensure that the committee has the funding council’s report, which concluded that the £50 million of

annual savings was being made. The funding council acts on behalf of the Government. The point that Ms Lennon is making about a Government obligation to address the issue is adequately addressed by the funding council’s report.

**Monica Lennon:** Did the funding council implement all the recommendations that were made by Audit Scotland in that regard?

**John Swinney:** The funding council has set out a series of steps that it is taking to address the recommendations of the Audit Scotland report. If the committee does not have that information, I am happy to ask the funding council to provide a response to the committee in that respect.

**Monica Lennon:** I think that we would probably like to look at the 22 August report. The Auditor General was very clear in her evidence in October that there were gaps in the information such as about the cost of harmonising pay. Such information was not included in the SFC’s assessment. We were advised that there was a lack of baseline information. Are you now satisfied that that has all been addressed?

**John Swinney:** I think that the funding council has addressed the issue, but I am happy to supply that information to the committee.

**The Convener:** In response to my questions on HE, you said that there are a number of destinations other than university and that a lot of qualified students are going into the college sector. On that issue, page 26 of the Auditor General’s report says that, between 2010 and 2015, Government funding to the FE sector decreased by 18 per cent. Given that you expect more and more students to take places at colleges, is that approach sustainable?

**John Swinney:** We have gone through a merger process and we have had a reform process—there has been change in the sector. When we undertake public sector reform, we do it to create a more efficient climate of operation, which means that resources that were previously required to support a model of operation that was more expensive to operate are no longer required. In the forthcoming financial year, the budget that has been allocated to the college sector is increasing in terms of resource and capital, and that has been warmly welcomed by the college sector.

**The Convener:** In the HE session, we also talked about demand. Demand for university places is transparent because we get the UCAS figures for student applications, but there is no similar system in Scotland for colleges, so there is no way of telling what the demand for college places is. Would you support a system that showed us what that demand is, given the huge

economic impact of students going to colleges and getting the skills that our economy needs?

**John Swinney:** There is merit in activity of that type. In our programme for government, we made a commitment to review and simplify aspects of the learner journey so that we can address issues such as articulation and ensure that pathways for articulation are as straightforward as we can make them. The work that we undertake on simplifying the learner journey will address the issue that you raise.

**The Convener:** So, you are committed to supporting that work. The SFC has said that it will look to undertake that work.

**John Swinney:** The work on the learner journey is under way and will cover issues of that type.

**The Convener:** Issues of workforce planning across the public sector have been well rehearsed in this Parliament, and we have seen the implications of a lack of workforce planning for the national health service budgets. However, page 17 of the Auditor General's report says:

"Despite the significant changes that have taken place in the sector, colleges do not prepare organisation-wide workforce plans."

Do you think that that is a priority?

**John Swinney:** Yes. I think that every organisation should undertake effective workforce planning.

**The Convener:** In that case, why has it not been done to date?

**John Swinney:** The colleges are independent bodies. I do not run the colleges. I can create the policy framework, and we try to do that through outcome agreements with individual colleges. However, any institution is responsible for ensuring that it undertakes effective workforce planning, and I would expect the colleges to do that.

**The Convener:** According to the Auditor General, capital funding has decreased by more than 77 per cent since 2010-11. Given that we want a college estate that is fit for purpose, do you think that that is sustainable?

11:00

**John Swinney:** A number of things must be borne in mind. The first is the significant reduction that has taken place in the capital funding that is available to the Scottish Government in the period since 2010. If my memory serves me correctly, up to around 2015, capital funding fell by about one third as a consequence of the decisions of the Conservative and Liberal Democrat coalition after 2010. There has clearly been a significant fall in the capital expenditure that is available to the

Government. To ameliorate that, we have made investment through the non-profit distributing pipeline, which has delivered new campuses for City of Glasgow College, Inverness College and Ayrshire College, but I do not think that that will show up in the figures that the Auditor General has talked about. The final thing is that capital funding varies from year to year due to the nature of the projects that are under way. The Government has put in place a capital funding allocation of £47.4 million in 2017-18, which is a 75 per cent increase in cash terms on what was available in 2016-17.

**The Convener:** To be fair to the Auditor General, she has outlined in her report that the Scottish Government is supporting investment of £300 million through public-private partnership.

**John Swinney:** Yes, but I doubt that that will be added to the percentage decrease figure.

**Liam Kerr:** I have a quick question that has arisen on the back of the convener's questions. The "Scotland's colleges 2016" report highlights that there are significant financial pressures on the sector, with 11 out of 20 institutions forecasting deficits, and Colleges Scotland highlights that sustainability is becoming increasingly difficult. The stated aim of the Government is to increase the school attainment results and, if that works, one would have thought that there will be a need to provide more further education and higher education places at some time horizon. What modelling or scenario planning has been done to project what the financial and resource demands on the sector will be if the Government is successful in its aims? Assuming that such modelling has been done, what is being done to meet the requirements?

**John Swinney:** The Government will look at those questions with the sector on an on-going basis, to ensure that we have the necessary investment to support the delivery of services and opportunities for young people to fulfil. There will be a range of opportunities: the Government will have a profile on modern apprenticeships, on colleges and on universities, and the Government will bring forward a variety of other access-to-work and employability measures to meet the demand that each individual presents.

There is a strategic need for us to make the learner journey as efficient and as cohesive as possible, because it ties up a lot of resource if it is not efficient and cohesive for individuals. The Government undertakes that work on an on-going basis.

**Liam Kerr:** I am not sure whether I entirely followed you, cabinet secretary. Your stated aim is—if I may use shorthand—to close the attainment gap. Assuming that you are successful



with that, there will be a demand on various services, including the education sector. Has scenario planning been done on what the demand might look like?

**John Swinney:** That is the type of planning that the Government will undertake over the long term with the sector to ensure that we adequately meet the needs of young people as they emerge and present themselves for further education.

**Liam Kerr:** Do I take that as a no, cabinet secretary?

**John Swinney:** That is routine activity that we undertake with the sector. The funding council takes that forward on the Government's behalf to address requirements.

**Gail Ross:** I want to touch on retention rates. Paragraphs 45 and 46 on page 23 of the Auditor General's report say that retention rates fell slightly. Paragraph 46 states:

"Colleges suggested that the amount of change experienced by the sector in recent years could have contributed to the reductions in attainment and retention. They also suggested increased efforts to target harder to reach students could be a factor, for example widening access to students from more deprived areas."

Can you explain that?

**John Swinney:** We are looking at that question to determine the issues that underlie the drop-out rates. I have not seen any concluded material on this, but if we are encouraging more people from harder-to-reach backgrounds to enter the system, we have to ensure that they have adequate support and resilience to enable them to fulfil their potential—we have to ensure that we have got that right. If we are now succeeding in reaching people who are harder to reach, one reason why there is a slight change in the drop-out rate might be that those people might need more support than is currently being put in place. It is a success if we have managed to reach those people, but we must ensure that they are properly supported if we have reached them. I do not know whether that conclusion will be arrived at by the current analysis, but we will obviously be happy to share with the committee the conclusions that we arrive at on that question.

**Gail Ross:** So the need to give those people more support is on your radar.

**John Swinney:** Yes, very much so.

**Gail Ross:** Good.

To touch quickly on another subject, something that we are certainly progressing up north is the developing Scotland's young workforce strategy, which is mentioned in the Auditor General's report. Can you give us an update on how that is progressing?

**John Swinney:** It is progressing very well, actually. The developing Scotland's young workforce strategy was greatly strengthened by the very clear and implementable report that Sir Ian Wood provided for us. There has been very good engagement by the private sector, which has very much welcomed the strategy as a route to take forward. I see increasing evidence in Scotland's schools of the use of the developing Scotland's young workforce approach to provide better routes through learning for young people. As a consequence of that, we are seeing really good progress.

The infrastructure for developing Scotland's young workforce is present in virtually every area of the country now and I think that there are only a couple of areas where we are waiting to get that established. However, the leadership group, which is chaired by Rob Woodward and consists of the chairs of the DYG groups around the country, is a very active and focused group of individuals who are taking forward that agenda. They apply very high standards to what they expect to be put in place at the local level before they will accredit a participant in the work of developing Scotland's young workforce. A lot of good progress is being made generally.

**Gail Ross:** Do you have any information about what is being offered and what the uptake is for foundation apprenticeships?

**John Swinney:** There are 480 young people participating in foundation apprenticeships as of the academic year 2016-17.

**Gail Ross:** Thank you.

**Colin Beattie:** On the question that I asked earlier about the participation of students from deprived backgrounds, the colleges have obviously been a success story in that regard. The Auditor General's report states in paragraph 39:

"The percentage of students from the most deprived areas has increased from 17 to 22 per cent over the last ten years."

Given that the fairly high level of participation of those students is in excess of what we might call their share, is there still room to improve that percentage, or is that what it should be?

**John Swinney:** I would certainly welcome further progress being made by the college sector in that area. The sector has demonstrated that the work that has been undertaken has managed to deliver accessibility. However, I do not believe, by any stretch of the imagination, that that is the end of the journey.

**Colin Beattie:** Continuing on that issue, paragraph 47 of the report states that, of students who left college in 2013-14,

"82 per cent ... were known to have gone on to a positive destination ... of the remaining 18 per cent, four per cent of leavers did not go on to further education or to employment".

The other 14 per cent is a fair number of leavers, but we do not know what happened to them. Is there any real prospect of being able to understand what has happened to that 14 per cent, or is that simply too complex and expensive to do?

**John Swinney:** It literally requires identifying those individuals and trying to identify what in their experiences has resulted in them not reaching a positive destination. That is part of the work that has to be undertaken to look at the drop-out rate for colleges and is part of what has to be borne in mind in terms of designing the approaches and the access support that are available for young people, so that we can properly ensure that young people enter the system and are able to fulfil their potential as a consequence.

**Colin Beattie:** Do you think that there is a realistic prospect of being able to track that missing 14 per cent?

**John Swinney:** Practically, it is very challenging because we literally have to be able to speak to the individuals concerned, which is not easy. However, I know that colleges pay particular attention to ensuring that they understand the needs of their learners and try to deliver against those needs. That is a particular priority for colleges. No college wants to have students who do not succeed or are not satisfied; they want to achieve the best for their young people. It is a question of ensuring that they can maintain active attention to doing that.

**The Convener:** Cabinet secretary, I thank you for your lengthy evidence giving this morning.

The committee will now go into private session.

11:11

*Meeting continued in private until 11:18.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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