

Education and Culture Committee
Scrutiny of the 2013-14 Draft Budget

Scottish Funding Council

Thank you for the opportunity to provide a short update on the progress that the Council has made in delivering the Scottish Government's priorities for the sectors, as set out in the Cabinet Secretary's Letter of Guidance of 21 September 2011. For ease of reference, I will use the headings in the Letter of Guidance in this response.

I have also attached to this letter an Annex, which sets out our budget allocations to colleges and universities for Academic Year (AY) 2012-13.

Further education

Over the last year, we have led a programme of major change in the college sector, aimed at helping deliver the Scottish Government's proposals for reform in the post-16 education system, and its ambitions for jobs and growth. There have been four main elements to this work, which are linked:

- structural change in the college sector – with a radical programme of mergers and federations now taking place across the country;
- reforms to the way in which we fund colleges – with funding being provided to regions from AY 2013-14;
- changes to the basis on which we fund college learning – with funding focused on the social and economic needs of regions; and
- a fundamental change in our relationship to colleges – with the introduction of Outcome Agreements.

Structural change

We have been working with colleges to support structural change in the college sector. A radical programme of college mergers and federations is now taking place across the country. This change will contribute significantly to our aim of improving the planning and delivery of learning provision – which will benefit students and support the economy of the regions served by these colleges– and will also deliver substantial efficiency savings.

College regionalisation

Scotland's colleges have been grouped into 13 regions and, from AY 2013-14, we will fund regional colleges or federations. This is a fundamental change to the way in which we fund colleges and will ensure that, in each region, college provision is planned and delivered in a coherent way with other learning providers – such as schools and universities – and other partners, including local authorities, Skills Development Scotland, and Community Planning Partnerships. This will also contribute to priorities such as Curriculum for Excellence in schools, and better progression of learners through the learning system.

Changes to our funding method

Until recently, our funding to the college sector has been provided to colleges largely on a historical basis. Following the publication in September 2011 of the Scottish Government's proposals for post-16 education ('Putting Learners at the Centre') – and our joint consultation with the Scottish Government on putting the proposals into practice – we are moving towards introducing a different approach to funding learning in colleges. From AY 2012-13, our investment in colleges is beginning to be focused on the demographic and socioeconomic needs of regions. This change will create a method of funding colleges which, in future, is more dynamic and responsive.

Outcome Agreements

Finally, we have made a fundamental change in our relationship with colleges, with the introduction of Outcome Agreements from AY 2012-13. Each year, we will develop and negotiate Outcome Agreements with each college region, which sets out the outcomes that we expect to see in return for the significant public investment in further and higher education. The Agreements are also, for the first time, an opportunity for colleges to make clear the contribution that they can make to the priorities of the Council and Scottish Government.

Within their outcome agreements for AY 2012-13, college regions have agreed to deliver 2.1 million WSUMS¹, meeting the target set by the Cabinet Secretary for Education and Lifelong Learning. Overall, across the college sector, 70 million hours of learning will be delivered in AY 2012-13.

Seventy per cent of the activity secured through regional Outcome Agreements will be for young people aged between 16 and 24. This is in line with the Scottish Government's aim of delivering education and training for this priority group through Opportunities for All.

The life chances and employment opportunities of those studying at college will be further improved through colleges' commitment to increase the proportion of courses leading to a nationally recognised qualification.

The Outcome Agreements for AY 2012-13 show colleges making determined steps to become more efficient through seven mergers, two federations and excellent progress towards structural change in other regions. The changes described above constitute a major programme of reform which – taken together with the significant capital investment in colleges in recent years – will create a modern, dynamic college sector.

Higher education

Over the last year, our main priorities in the university sector have been:

- changes in the funding allocations for teaching – aimed at maintaining and enhancing the competitiveness of Scottish universities;

¹ WSUMS (Weighted Student Unit of Measurement) is the measure of learning and teaching in colleges that we use for the purposes of funding.

- a fundamental change in our relationship to universities – with the introduction of Outcome Agreements;
- strengthening the research base – in the face of increased global competition;
- increased knowledge exchange between universities and businesses – which should stimulate innovation and, in turn, business productivity in Scotland, and thereby contribute to the Scottish Government’s Economic Strategy; and
- improving the coherence of provision – aimed at improving the choices for, and experience of, learners.

Teaching funding allocations

For AY 2012-13, we have restored in full the reduction to the teaching unit of resource and have also provided both an increase of 2.6% (£15.2 million) to the unit of resource and £4.1 million for strategically important, high cost subjects. This will enable the university sector to deliver the Scottish Government’s expectation that the total number of places for Scottish domiciled and EU students will be the same as were available in 2011-12.

In addition, we have provided support for 300 additional funded places in science, technology, engineering and mathematics (STEM) in AY 2012-13 at a cost of £1.9 million. This will rise to 1,200 additional funded places by AY 2015-16, and will increase the stream of STEM graduates into the economy.

Outcome Agreements

As with the college sector, we have made a fundamental change in our relationship with universities, with the introduction of Outcome Agreements from AY 2012-13. All the Outcome Agreements that we have negotiated and agreed with universities contain targets for knowledge exchange, improving access to universities, equalities, and student success, including student progression through the system of learning and successful completion. However, the arrangements for AY2012-13 are a first step along the road which – with other partners – we intend to develop over the next year.

Strengthening the research base

International rankings of universities are playing an increasing role in the reputation of universities and their global research standing. In the most recent rankings (QS World University Rankings) published this month, three Scottish universities appeared in the top 100 universities (and four in the top 200); which is a considerable achievement for Scotland, given its relatively small population share. However, the recent rankings also show an improving position for countries such as China and Japan, and indeed for some other European countries, largely as a result of a policy of concentrating research funding on those universities capable of competing globally.

In the context of this increasing competition, our priority for AY 2012-13 has been to concentrate research funding on world-leading and internationally excellent research, particularly where it will also lever in the greatest resources from the UK Research Councils (which fund research projects), the European Commission and

other major research funders. We have also increased our Research Excellence Grant to universities by £10 million (5%) to £223 million for AY 2012-13 and our Research Postgraduate Grant by £5 million (18%).

Increased knowledge exchange

For economies – such as Scotland’s – which wish to improve productivity growth through innovation, it is essential that there is a strong culture of collaboration and knowledge exchange between universities and businesses. We have, therefore, given priority in the last year to improving knowledge exchange by leading a range of initiatives:

- developing proposals for a single, integrated knowledge exchange organisation for Scotland – which creates a ‘single door’ into universities for businesses;
- developing proposals for ‘innovation centres’ that will support Scotland’s main economic sectors – in partnership with Scottish Enterprise, Highlands and Islands Enterprise, and with industry;
- extending the ‘Easy Access IP’ initiative – which makes it easier for businesses to get access to new ideas and expertise from universities; and
- supporting an SFC Innovation Voucher scheme – administered by Interface, the knowledge connection for business – which provides funding of up to £5,000 to universities to work with small and medium sized enterprises (SMEs). In return, SMEs contribute a matching value of cash, staff time or access to facilities.

We have also worked with partners on other strategic initiatives that have the potential to contribute to economic development in Scotland, including:

- the Innovative Medicines Initiative – which involves establishing a European drug discovery facility in Europe, and would place Scotland at the heart of European drug discovery research and development; and
- successfully securing the UK’s first Fraunhofer Institute in Scotland – in Advanced Photonics (the science underlying optical technologies). (The Fraunhofer Society is highly regarded for delivering industry-driven, commercial outcomes from high quality research, development and engineering).

Improving the coherence of learning provision

We have made an important start in working with universities to improve the coherence of learning provision. For example, we have provided 50 additional funded places for teaching (£0.3 million) in Dumfries and Galloway in AY 2012-13, where there is a need to improve the supply of, and participation in, learning. And in the Highlands and Islands, we have provided a thousand additional funded places (£5.5 million) to allow the University of the Highlands and Islands to work with its associated colleges to grow learning provision.

As part of our new Outcome Agreement process with universities, those institutions which teach nursing have also agreed to work with other providers in their region to develop coherent plans that meet the demands of their regional health authority.

Scottish Funding Council

The priorities that I have described above do not reflect the full scope of the Council's activities over the last year, and its progress. In addition, we have also managed strategic funds for the sectors, supported capital investment and undertaken our statutory duties and other functions, including assessing the quality of provision in the sectors, monitoring the financial sustainability of institutions, and, importantly, making sure that we make payments to colleges and universities accurately and on time.

In this context, we have managed a 16% reduction in our cash budget for administration between Financial Year 2010-11 and 2012-13, reduced our staff numbers by 15% since March 2010, and undertaken a major reshaping of our organisation to put us in the best place to deliver our new Strategic Plan and the Scottish Government's proposals for post-16 education.

Concluding remarks

We are committed to delivering ambitious change for Scotland – and are reforming how we fund colleges and universities so that they better support jobs and growth, the life chances of individuals, and deliver sustainable learning provision. The programme of reform that we have undertaken over the last year is work-in-progress; there is more to do.

I look forward to discussing with you our priorities for next year in the context of the Scottish Government's draft Budget.

Annex

Budget allocations AY 2012-13

Academic Year	College Programme Funding (£m)	University Programme Funding * (£m)	College and University Capital ** (£)
2012-13	515	1,022	61

Notes:

* This does not include ring-fenced grants from Scottish Government departments, such as for Nursing and Midwifery pre-registration.

** This is allocated on a financial year basis.

MTS Batho
Chief Executive