SCOTTISH FUNDING COUNCIL SPENDING AND OUTCOMES: a response to the Scottish Parliament’s Education and Culture Committee

Summary

- The RSE is concerned that increasing intervention from Government has eroded the arms-length relationship it has with the Scottish Funding Council (SFC). In order to preserve the creative autonomy that has underpinned the performance and contribution of Scotland’s universities, Scottish Ministers should not seek to be overly prescriptive towards them.

- It is the responsibility of Government to set national priorities. However, the Government must ensure there is discretion for the SFC and universities, by way of mutually respectful dialogue, to develop the means by which universities can contribute to the achievement of national priorities.

- The role of SFC should be to provide strategic leadership and support, whereby in working with institutions, national priorities are translated into deliverables that align with universities’ missions and strategies. The SFC should act as a trusted intermediary whereby institutional priorities are communicated to Government to inform the priorities determined by Government.

- In securing an internationally competitive research base, the SFC should adopt a strategic role through prioritising and facilitating the conditions for the provision of world-leading research in Scotland. We are concerned that recent changes made by the SFC to the allocation of the Research Excellence Grant might make it more difficult to sustain true global research competitiveness in Scotland. The current approach should be kept under regular review.

- In providing leadership and added value to universities, consideration will need to be given to the prioritisation the SFC gives to the way it streams and allocates strategic funding. The SFC should ensure there remains in-budget flexibility to support new strategic proposals from the sector.

- The research pools facilitated by the SFC have been widely praised. The challenge to the SFC will be to ensure that it has a robust methodology for assessing the performance of the pools so that its resources are targeted to support internationally competitive pools in strategically important areas. There should not be an assumption that its support for specific pools will continue indefinitely.

- The RSE supports the SFC’s creation of Innovation Centres. They are intrinsically innovative, seeking to address the long-standing challenge of more direct exploitation of the research base through increased academic-industry collaboration. The SFC will need to evaluate the impact of the Innovation Centre programme, the investment deployed to deliver it and ensure that it continues to be demand-led.

- The SFC should ensure that the initiatives and activities which it supports are formally evaluated, with evaluation considered at project inception and not as a ‘bolt-on’. Evaluations should be published. This will enable an assessment to be made of what is working well, what is not working so well, what improvements can be made, and the effectiveness of the SFC intervention.
1. The Royal Society of Edinburgh (RSE) welcomes the opportunity to respond to the consultation from the Scottish Parliament’s Education and Culture Committee on the spending decisions made and outcomes delivered by the Scottish Funding Council (SFC) in relation to universities. This response has been prepared by an RSE working group with extensive experience spanning Higher Education administration and governance, research policy and funding, business management and public policy. We would be pleased to discuss further any of the comments made in our response with members of the Parliamentary Committee.

2. We make the following general comments before addressing each of the consultation questions in turn.

Relationship between the SFC and the Scottish Government

3. On its website the SFC describes itself as “the national, strategic body that is responsible for funding teaching and learning provision, research and other activities in Scotland’s 25 colleges and 19 universities.”\(^1\) It also makes clear that the SFC is a Non-Departmental Public Body (NDPB), operating at arms-length from the Scottish Government. We are however concerned that increasing intervention from Government has eroded this arms-length relationship. The Ministerial Letters of Guidance which are issued to the SFC on an annual basis are more prescriptive and directive than those of earlier years. A great danger to the vitality of Scotland’s universities is that overly prescriptive, short-term targets are set for institutions whose timeframes are inevitably longer than those of the government of the day. In order to preserve the creative autonomy that has underpinned the performance and contribution of Scotland’s universities, Scottish Ministers should not seek to be overly prescriptive towards them.

4. While the Scottish Government must have responsibility for safeguarding the provision of public funds, it must do so in a way that is appropriate and commensurate with the proportion of public funds it allocates to the university sector.\(^2\) It is of course the responsibility of Government to set national priorities. However, the Government must ensure there is discretion for the SFC and universities, by way of mutually respectful dialogue, to develop the means by which universities can contribute to the achievement of national priorities.

5. In this relationship the role of SFC should be to provide strategic leadership and support, whereby in working with institutions, national priorities are translated into deliverables that align with universities’ missions and strategies. It is the institutions themselves where the expertise, experience and capacity for achieving successful outcomes are located. In adopting this strategic approach, the SFC should act as a trusted intermediary whereby institutional priorities are communicated to Government to inform the priorities determined by Government.

Responses to Consultation Questions

1 The extent to which Outcome Agreements with universities are improving the way SFC allocates funding and secures high quality learning provision.

1.1 Outcome Agreements were introduced in academic year 2012-13 to assist the university sector to better demonstrate and enhance its contribution to the something for something funding settlement as part of the Scottish Government’s 2012-13 to 2014-15 spending review.

\(^1\) http://www.sfc.ac.uk/aboutus/aboutus.aspx

\(^2\) In financial year 2012-2013, just over a third (35.3%) of Scottish HEI income came from SFC grant
1.2 The introduction of Outcome Agreements presaged a major change in the relationship between the SFC and institutions and required substantial organisational change within the staff of SFC. The earlier stages were not unsurprisingly focussed on the need to develop relationships and resolve process and negotiation issues. It has, therefore, taken a number of cycles for the SFC and institutions to gain a mutual understanding of the process. The Outcome Agreement process has helped to build an understanding between the SFC and institutions as to how institutional strategies can best take account of national priorities. Outcome Agreements enable the SFC, individual institutions and the HE sector to demonstrate what they deliver in return for public investment.

1.3 There is evidence that the Outcome Agreement process is subject to review, reform and simplification. In particular, the introduction from 2014-15 of three year agreements (with annual progress reports) appears to have streamlined the process and reduced bureaucracy (which was of concern to universities in the earlier cycles). While those within universities who are involved in preparing Outcome Agreements are familiar with their purpose and content, the SFC and universities need to work together to ensure that awareness of Outcome Agreements extends to all staff. The SFC’s goal now should be to continue to streamline Outcome Agreements, ensuring that they focus on outcomes as opposed to actions.

1.4 While it is a condition of grant that every university must prepare an Outcome Agreement for the SFC, the overwhelming majority of SFC funding allocation for teaching, research and knowledge exchange continues to be formula based. Outcome Agreement direct funding has focussed on some specific funding streams, including the various additional funded places schemes, with allocation of core funding largely unaffected. Along with the fact that they have only been in place for a short while, this means it is not possible to conclude at this stage that Outcome Agreements have led to a demonstrable improvement in funding decisions and secured high quality learning provision.

2 The effectiveness of the SFC in securing an internationally competitive research base, and building collaborations between university and industry

2.1 The SFC should adopt a strategic, high-level role in prioritising and facilitating the conditions for the provision of world-leading research in Scotland. In this way it would support Scotland’s universities, who are themselves predominantly responsible for the success of the Scottish research base, through the level of competitive research funding that they are able to attract.

2.2 As it is the universities that primarily bear the risk (including costs and reputation) of their international activities, it is for the institutions themselves to determine how they should harness internationally competitive research and collaborative activity. It would be inappropriate, for example, if SFC were to coerce autonomous institutions into adopting particular forms of international collaborative activity.

2.3 Investment and allocation of resources are the main ways in which the SFC can create the conditions for securing an internationally competitive research base in Scotland. Under the Research Competitiveness theme in its draft strategy for 2015-2018\(^3\), the SFC states that it “will prioritise our investment in research on developing world-leading and internationally excellent research.” However, we note that in March 2015 the SFC announced changes to the allocation of the Research Excellence Grant for the period 2014/15 to 2017/18, whereby the relative weighting of 4* (world-leading) research compared to 3* (internationally excellent) has been

\(^3\) http://www.sfc.ac.uk/communications/Consultations/2015/SFCCN012015.aspx
reduced (from a ratio of 3.11:1 to 3:1). This means that the allocation of the Research Excellence Grant will be spread more widely, thereby impacting on the proportion available for supporting world-leading research in Scotland. This contrasts with the funding formula used by the Higher Education Funding Council for England (HEFCE) where funding is allocated to 4* and 3* research at the ratio of 4:1. In addition, the SFC has suspended the Global Excellence Initiative, which provided almost £28m between 2013 and 2015 in support of world-leading research in Scotland.

2.4 The RSE is keen to ensure that there is a demonstrable commitment to recognising and supporting research excellence in Scotland. We are concerned that the recent changes adopted by the SFC might make it more difficult to sustain true global research competitiveness in Scotland and we believe that the current approach should be kept under regular review.

2.5 The changes that have been made by SFC demonstrate that it faces a pressing challenge in balancing priorities at this time and for the foreseeable future. More fundamentally, they are an indication that at the heart of SFC’s mission there is an inherent tension that needs to be resolved between supporting a diverse sector and competitively funded research excellence, both of which are highly desirable.

Research pooling

2.6 The research pooling initiative was created by the SFC in 2003 to encourage researchers across Scottish higher education to pool their activities so as to be on a scale that would enable them to compete for increasingly concentrated funding. Research pooling has been widely praised, with the number and discipline range of research pools having expanded since its inception. This approach has enhanced submissions to RAE 2008 and REF 2014 in some areas; more importantly, has encouraged better sharing of facilities and led to better coordination of bidding for competitive processes, including Doctoral Training Programmes.

2.7 While we recognise that the Physics (SUPA) and Chemistry pools (ScotCHEM, WestCHEM and EaStCHEM) have been independently evaluated in 2009 and 2011 respectively, we are not aware of independent evaluations having been undertaken for the other research pools. However, we realise that all the pools are expected to submit to SFC an annual progress report and that the SFC executive provides the SFC Research and Knowledge Exchange Committee with its own evaluation of the pools. The challenge to the SFC will be to ensure that it has a robust methodology for assessing the performance of the pools so that its resources are targeted to support internationally competitive pools in strategically important areas. There should not be an assumption that its support for specific pools will continue indefinitely.

Innovation Centres

2.8 Working with Scottish Enterprise and Highlands and Islands Enterprise, the SFC has so far established eight Innovation Centres with the aim of harnessing research expertise to meet industry demand in key economic sectors. The RSE supports their creation as they are intrinsically innovative, seeking to address the long-standing challenge of more direct exploitation of the research base through increased academic-industry collaboration. They demonstrate a significant strategic commitment by the SFC through its investment of £120 million of core funding for the Innovation Centre programme.

\[^4\]Information about the individual Innovation Centres is available from the SFC website: [http://www.sfc.ac.uk/FundingImpact/KnowledgeExchange/InnovationCentres/FundedInnovationCentres.aspx](http://www.sfc.ac.uk/FundingImpact/KnowledgeExchange/InnovationCentres/FundedInnovationCentres.aspx)
2.9 With support from the SFC, the RSE, given its relations with the leading Chinese national academies, led a delegation of Scottish academia and business leaders that travelled to China in December 2014 to promote the Innovation Centres. Discussions explored opportunities for Scotland and China to collaborate on research projects that could support mutual economic growth and innovation. It is expected that reciprocal visits will take place in the future.

2.10 Innovation Centres have undoubted potential but because they have been established for only a short time (between one and two years for most of them), it is too early to be able to make a determination as to their research and collaborative performance. They need to be given continuing support over a sufficiently long time to be assessed properly. We understand that the SFC and enterprise agencies have sought to make baseline assessment of the innovation and economic performance of the subsectors addressed by each Innovation Centre. This is an important development in terms of enabling SFC to evaluate the impact of the Innovation Centre programme, the investment deployed to deliver it and ensuring that the approach continues to be demand-led.

3. **How successful the SFC is in helping universities to—**
   
   • *widen access without displacing prospective students with sufficient qualifications*

3.1 The RSE supports measures to ensure that access to higher education is based on ability and potential, rather than other personal or financial circumstances. How to achieve this is not straightforward with widening access to higher education being a complex, multi-faceted issue, requiring a holistic response. The underlying causes of under representation of learners from disadvantaged backgrounds cannot be addressed by universities alone. It requires a collaborative approach across the full spectrum of Scottish education, along with ongoing shifts in social policy and attitudes. There is also a need to ensure that interventions aimed at widening participation are evaluated in order to develop a stronger evidence base of ‘what works’.

3.2 The SFC has had a long term agenda of working with institutions on access and inclusion through the *Learning for All* programme.⁵ By working with institutions on a consensual basis through the allocation of targeted resource via outcome agreements, progress is being made as the evidence shows that access and retention rates are improving.

3.3 There is a risk that widening participation targets could displace other prospective students given the limitations on funded places, and also create a disconnect with institutional strategies. The Outcome Agreement process will have an important role in delivering an appropriate balance between potentially conflicting objectives.

3.4 The SFC uses the Scottish Index of Multiple Deprivation (SIMD) to define social deprivation for widening access purposes. However, it is widely recognised that this indicator fails to capture a large proportion of disadvantaged people who live outside SIMD areas. Scotland’s universities have therefore been exploring the development of other indicators. However, it needs to be acknowledged that if individual institutions adopt different measures this could make it difficult to make comparisons across institutions.

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⁵ [http://www.sfc.ac.uk/funding/FundingOutcomes/Access/learningforall/LearningforAll.aspx](http://www.sfc.ac.uk/funding/FundingOutcomes/Access/learningforall/LearningforAll.aspx)
produce skilled graduates who are capable of sustaining a career or creating new jobs

3.5 Given that the content and delivery of courses are the direct responsibility of the universities themselves, this is an area in which the SFC is likely to have a more limited role. Universities need to equip their students with employability skills (i.e. self-management, problem solving, team working, business awareness, communication, information literacy and the use of technology) as a central part of the learning journey. These skills, also referred to as graduate attributes, are defined and embedded across all of Scotland’s universities.

3.6 The SFC established the Learning to Work programme\(^6\) which ran from 2004 until 2014. This represented the Council’s strategy for enhancing student employability. The second phase of this programme, 2010-2014, focussed on four work placement projects. The SFC commissioned an independent evaluation\(^7\) of these projects. This has shown that the projects (for which there was high demand) have resulted in significant benefits to participating students, employers and institutions. The evaluation recommended that the SFC should work with others to take forward a new national model for student work placements, building on the momentum of the four projects. The Committee might therefore wish to explore with the SFC its current position in this area, particularly its plans for sustaining and scaling-up the placement projects.

3.7 More generally, it will be important that the SFC continues to work closely with Skills Development Scotland (SDS) in further developing the employment and skills agenda. We welcome the fact that SFC and SDS have signed a joint framework for action outlining their intention to work closely together in implementing the strategy for Developing Scotland’s Young Workforce. In addition, the SFC, along with a wider range of partners, is engaging in developing Skills Investment Plans (SIPs) for key industry sectors, bringing universities and industry together. The challenge to SFC and the enterprise agencies will be to translate the SIPs into tangible measures that institutions can be reasonably expected to deliver on.

3.8 Looking to the future of the economy and future collaborations in support of research and innovation, SFC support for entrepreneurship should feature in SFC objectives. Along with other partners, the SFC has a role in delivering aspects of ‘Scotland CAN DO’\(^8\), Scotland’s national statement of intent towards becoming a world-leading entrepreneurial and innovative nation. The RSE Business Innovation Forum has recently published a report on the delivery of entrepreneurial education in Scotland.\(^9\) In order to derive maximum benefit from Scotland’s entrepreneurial ecosystem, the report recommended the establishment of an Entrepreneurship Education Forum, with Scottish Government and SFC support, to bring together representatives from academia, private and public business support organisations and industry. The Forum would be tasked with developing practical ways of enhancing entrepreneurial education across Scotland.

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\(^6\) [http://www.sfc.ac.uk/funding/FundingOutcomes/Skills/LearningtoWork/LearningtoWork.aspx](http://www.sfc.ac.uk/funding/FundingOutcomes/Skills/LearningtoWork/LearningtoWork.aspx)


4. The capacity the SFC has to provide leadership and added value to universities, for example—
   - specific initiatives it supports that the sector would otherwise be unable or less likely to provide

4.1 There is significant scope for the SFC to act more proactively (looking beyond Ministerial direction) and creatively in support of wider aspects of institutional strategies, particularly where these speak to a shared agenda which complements national priorities. We believe that further development of the Outcome Agreement process can assist here, whereby trusted bilateral dialogue between the SFC and universities enables the SFC to provide strategic leadership and support in pursuit of mutually agreed priorities.

4.2 In response to question two we referred to specific initiatives which in the absence of SFC input, the sector would have found it very difficult to mobilise. This includes the SFC’s role in the creation of research pools and Innovation Centres. Another is its support for the establishment of the Scottish Graduate School for Arts and Humanities. It is important that new initiatives continue to be demand-led and not imposed upon the sector.

4.3 The SFC should also ensure that the initiatives and activities which it supports are formally evaluated, with evaluation considered at project inception and not as a ‘bolt-on’. Evaluations should be published. This will enable an assessment to be made of what is working well, what is not working so well, what improvements can be made, and the effectiveness of the SFC intervention.

**Deployment of Strategic Funds**

4.4 In providing leadership and added value to universities, consideration will need to be given to the prioritisation the SFC gives to the way it streams and allocates strategic funding. We are concerned that in announcing its indicative funding decisions for 2015-16 the SFC stated, “Given the pressure on our strategic funds in AY 2015-16, we are limited in our capacity to develop and invest in any new proposals from the sector.”

10 While we recognise that there are limited funds available to SFC, in positioning itself strategically we would expect it to ensure that there is greater in-budget flexibility to support new proposals.

- how it helps Scottish universities to monitor and respond to challenges from international competitors

4.5 The SFC, along with the RSE, is a formal partner in **Connected Scotland**. This collaborative venture, established last year, also includes British Council Scotland; Scottish Development International; Universities Scotland; Scottish Government; Scottish Enterprise and Highlands & Islands Enterprise. It aims to assist Scotland’s Higher Education sector in positioning itself as a world leader and in becoming an international partner of choice in teaching, research and knowledge exchange. There is a challenge to the Connected Scotland partners in raising the visibility of this collaborative enterprise and the added value that it can provide.

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10 [http://www.sfc.ac.uk/communications/Announcements/2015/SFCAN012015.aspx](http://www.sfc.ac.uk/communications/Announcements/2015/SFCAN012015.aspx)
5. How the SFC balances its roles in—
   • supporting the sector and providing a challenge function to Scottish Ministers
   • helping to deliver Scottish Government priorities.

5.1 In responding to this question we would ask the Committee to consider the general comments which we have set out at the beginning of our response. The balance will be achieved by challenging and stimulating creative thinking in both directions. The Scottish Government must ensure that the SFC is allowed to play a respected two-way role. This includes the SFC being the mechanism for annual transmission to the universities of a governmental view of priorities that it wishes to see reflected in university work, but in a way that goes with the grain of universities’ capability and function. It also means the SFC being the conduit for universities’ priorities to be reflected in national policy making.

Additional Information

This Advice Paper has been signed off by the RSE General Secretary.

In preparing this Advice Paper we would like to draw attention to the following RSE responses which are relevant to this subject:

• The Royal Society of Edinburgh’s response to the Scottish Funding Council’s Draft Strategic Plan for 2015-2018 (June 2015)

• The Royal Society of Edinburgh’s response to the Scottish Government’s proposals for the Higher Education Governance Bill (February 2015)

Any enquiries about this Advice Paper should addressed to Mr William Hardie (email: evidenceadvice@royalsoced.org.uk).

Responses are published on the RSE website (www.royalsoced.org.uk).

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