Response to Education & Culture Committee: University of Edinburgh
Scottish Funding Council – Spending Decisions and Outcomes

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

Outcome Agreements for the Higher Education sector were introduced in 2012-13. They were intended to articulate commitment and progress across those areas in which institutions and Scottish Government are focused on shared priorities; following the introduction of the new fee regime for students from the Rest of the UK (RUK) and the increase in Higher Education funding agreed to reduce the funding gap between the RUK and Scottish HE sectors – “the something for something” agreement. The change to SFC working practice required by the Outcome Agreement process, with deeper relationships between the institution and the Outcome Agreement manager, was intended to improve the organisation’s understanding of the realities and diversity of the higher education sector. There was a collective aspiration, we believe, that this approach would strengthen the ability of SFC, with its vital role between the sector and government as an arms-length NDPB, both to act as expert adviser to Scottish Government and to support the strategic long-term success of the sector for Scotland.

The Outcome Agreement process has, as expected, needed to develop since introduction. Over the past 3 years the process has been enhanced with, for example, the introduction of 3 year agreements. We do, however, have some concerns about the cumulative impact of the annual cycle diverting focus onto activity measures rather than outcomes. We are also concerned that there was a loss of transparency on resource allocation following the introduction of Outcome Agreements. Some of this was simply process, with an initial reluctance to publish a Main Grant Letter as well as confirming individual awards through the Outcome Agreement process. More substantive, however, is the reduction in transparency around strategic funding allocations (less of an issue now when no funds are available) during 2012-13 and 2013-14.

Further, while the Outcome Agreement concept recognises that institutions have distinct and diverse missions, there appears to be an implicit desire to “standardise”. This seems to reflect the complexity of the task which SFC is being asked to deliver not just in relation to a diverse Higher Education sector but also, simultaneously, in co-ordinating and funding a Further Education sector now classified as central Government and operating as public bodies within the requirements and constraints of the Scottish Public Sector Finance Manual. The key risk in “standardisation” is that of focusing on a limited set of common denominators rather than supporting the diversity and distinctiveness of mission of each of our institutions.

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

The dual support mechanism for research within the Higher Education sector depends on Research Council funding for excellent individual projects and on the SFC’s Research Excellence Grant (REG) to support the development of fundamental research and research infrastructure. The University of Edinburgh is currently 17th in the QS World Ranking and produces £2bn Gross Valued Added for the Scottish economy; a return of over £9 to the Scottish economy for every £1 invested by the SFC. Shifting investment to bodies with lower leverage and lower success rates in securing Research Council funding is not to be undertaken lightly; given the detrimental impact on highly skilled jobs, wealth creation, health improvements and Scotland’s global reputation for the highest attainment in research excellence and business-friendliness.
SFC’s leadership role in initiatives such as the establishment of Interface and Innovation Centres (in relation to collaborations between university and industry), and research pools, have also catalysed some areas of collaboration. The impact of this is evident in the results of the Research Excellence Framework (REF2014) exercise which demonstrated substantially increased levels of 3* research across the sector. However, while growth in 3* research demonstrates a welcome expansion of research capability across the sector, national (Research Council) and international funding is generally only available for the most competitive 4* research.

The recent budgetary constraints on REG funding are consequently of significant concern in terms of a) the level of investment required at sector level to sustain and build an internationally competitive research base and b) the decision of SFC to reduce investment in world leading 4* research activity. In contrast, HEFCE has deliberately increased the focus on funding the highest international excellence in research. The REG decisions do not fit comfortably with the Outcome Agreement mission of “supporting world-class research” nor with the original intent of the dual funding mechanism.

The University of Edinburgh’s REF2014 results show improvement from 5th to 4th in UK on research power and the medical research submitted to REF2014 has been estimated to save the Scottish NHS £300m a year while improving healthcare for tens of thousands of individuals. The response to this world-leading impact has, incredibly, been to cut REG funding to the University by £14m per annum by 2017. This is, in large part, the result of the SFC decision to reduce the priority attached to supporting world leading 4* research and is unlikely to support Scotland’s Higher Education sector to perform competitively at an international level; given the dramatic levels of investment in world leading research in Asia and other parts of the world. The potential deleterious impact of failing to maintain competitiveness is very substantial. Knowledge Exchange, Spin-out and Commercialisation activities, enabled by our research, alone support 4,700 jobs in the UK of which 3,300 are in Scotland.

3. **How successful the SFC is in helping universities to—**

   **widen access without displacing prospective students with sufficient qualifications**

   **produce skilled graduates who are capable of sustaining a career or creating new jobs**

One positive of the outcome agreements process has been the focus that they have given to widening access and the challenge that this has given to universities that have traditionally been less likely to take students from widening participation backgrounds.

The Council has an important role in supporting access. Its partnership with the HE and college sector is important but its greatest influence is potentially through work across the education system and government to support a holistic approach with the Widening Access Commission. With Universities Scotland we identify the key barriers to widening access as:

- differential educational attainment;
- information, advice and guidance;
- availability of places;
- school subject choice; and
- funding for widening access.

The eventual acceptance by the Council in 2014-15 that the Scottish Index of Multiple Deprivation (SIMD) was an insufficient means to target and fund widening access was appreciated, however, this is not as yet reflected in either the criteria for the additional funded places provided for widening
access or in the focus of Scottish Government. A focus on what is easily measured at the national level rather than responding to more nuanced evidence is another symptom of a preference for “standardisation”. The University of Edinburgh is extremely proud of our sector leading work on contextualised admissions and disadvantage which explicitly recognises that there is a continuum of disadvantage and that we need to level the playing field for all applicants. In a situation in which we have c.20,000 Scottish domiciled applicants for less than 2,000 SFC-funded places, a focus exclusively on SIMD would exclude those facing other disadvantage (low progression or low attainment school, eligible for LEAPS or other WP programme, no history of higher education, for example) and result in a polarisation of the student population.

We would like to see more support from SFC for innovations that would provide graduates with better chances of success. We are particularly concerned that funding for pilots such as the innovative Masters in Clinical Research have been withdrawn and that proposals for Masters programmes for those entering nursing and teaching from other disciplines appear to have limited strategic traction. Initiatives which have been funded by SFC such as “Making the Most of Masters” have been relatively small scale and unfortunately received relatively little exposure.

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

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

The development of research pooling and innovation centres are positive example of the potential for SFC to provide leadership for an initiative requiring a high degree of collaboration. This tends to be where it is able to be most successful - where it is able to provide funding to lubricate collaborations that would otherwise be much harder to get off the ground. However, in the absence of any strategic funding SFC’s capacity to facilitate such activity will now be quite limited.

SFC does not have particular strengths in looking at international competitors or in enabling universities to meet the demands of international competition. SFC’s focus on 3* attainment is particularly inward-looking. It needs more fully to recognise that a number of Scottish universities already have outstanding international reach (43% of the UoE’s students and 29% of our staff are non-UK nationals) and to focus on adding value to existing strengths rather than pursuing one-size sector-wide initiatives.

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.

SFC is well positioned to provide a range of evidence and advice and should be able to work with the sector and across government in evidence-based policy development, support collaboration across Scotland’s economy and to offer advice to government. We are, however, concerned that SFC has not maintained its effectiveness as a point of intersection between the ambitions of the sector and government. This may in part be due to the complexity of SFC’s recent role in relation to the college sector; with operational demands that have limited its focus on strategic analysis and debate.
We strongly suggest that SFC should be re-focused on the strategic opportunities and challenges facing the Higher Education sector and on providing a strategic counter-balance to potentially short term political objectives. While recognising that a strong interface between Universities and Colleges is required, it is equally true that the sector needs a strong relationship with the NHS and other sectors. The review of SFC effectiveness in relation to Further Education Colleges might therefore consider whether the current funding arrangements/relationships remain appropriate post the transition of Further Education Colleges into central government.

University of Edinburgh

7 September 2015