Introduction
The committee’s call for evidence asked for written views on five questions. The responses of the Scottish Funding Council to each are set out below.

Role of SFC
The SFC was established by the Further and Higher Education (Scotland ) Act 2005. Section three of that Act states that the Council’s general duty is

“to exercise its functions for the purposes of securing the –

a. coherent provision by the fundable bodies (as a whole) of a high quality of fundable further education and fundable higher education; and

b. undertaking of research among the fundable bodies”.

The SFC undertakes this function principally through the distribution of resources to the fundable bodies - Scotland’s 19 higher education institutions (HEIs) and 41 colleges. SFC is an NDPB and is an intermediary body operating between the Scottish Government and Scotland’s universities and colleges, which are themselves autonomous bodies with their own governance arrangements.

SFC is not the only source of funding for these bodies. For colleges, typically, SFC funding comprises around 73% of their total resources, with much of the remainder coming from commercial sources and from fees from overseas students. There is a much bigger range of non-SFC funding in the university sector. As with colleges, significant sources of income include commercial activity and overseas students but of particular significance, especially to certain institutions, is the income they gain from their research activities, whether from the UK Research Councils, the major (particularly medical) charities or from business.

SFC acts under guidance from Scottish Ministers in exercising its statutory role and can and does have an influence over the activities of the fundable bodies in a number of ways.

The financial context
SFC announced its grants to colleges and universities for AY 2011-12 on 18 March 2011. This followed the announcement of indicative grants in December 2010 together with additional funds allocated following the Draft Budget. There was an overall reduction in teaching funds for each college of around 10%. On student numbers, for the current academic year our expectation, based upon an agreement between the college sector and the Scottish Government, is that the sector as a whole will maintain
student numbers at last year’s level (modified to reflect the changes in school-college provision).

For HEIs there was a similar overall reduction in teaching funds of around 10% for all institutions. Similar to the position with colleges, we are expecting HEIs to achieve the same number of students as they did in the previous year by taking on additional students on a ‘fees-only’ basis.

The extent to which the HE and FE sectors have taken action to improve efficiencies and the extent to which further efficiencies can be realised
The Scottish Government has set targets for colleges and universities over a three year period. The sectors have exceeded these targets in 2008-09 and 2009-10 and expect to have exceeded the targets for 2010-11. There are three main workstreams contributing towards the targets: business process improvements; asset management; and shared services. Advanced Procurement for Universities and Colleges (APUC) Limited was created in 2007 to reduce costs and increase buying power in further and higher education. Operating on a not-for-profit basis, APUC is well regarded in both sectors as an increasingly effective way of stretching hard-pressed budgets, delivering substantial cost savings.

The extent to which the budgetary allocations set out in the budget documents will help to ensure that the sectors can maintain their contribution to the wider economy and continue to provide education and training that is relevant to the labour market
Set out below are examples of the contribution that the SFC’s budget makes to the support Scotland’s economic recovery and growth. The Council believes it will be possible to continue with these developments over the next three years.

Sectoral skills development
SFC and Skills Development Scotland (SDS) work together on skills issues in key industry areas. For example, in 2010, we produced an energy skills investment plan which identified retraining and provision gaps across the college and university sectors, as well as the need to focus Modern Apprenticeship training. Since then SFC and SDS have supported jointly the College Energy Skills Partnership (ESP), which will be made up of geographic clusters of colleges under each of the main sub-sectors (Oil and Gas, renewables, carbon capture and storage, etc). In addition, the College ESP is working with the Energy Technology Partnership (led by the University of Strathclyde), with a view to establishing an FE/HE/SDS skills forum.

Employability
‘Employability’ refers to a set of skills and attributes which college and university graduates need to be successful in the workplace. SFC has funded a four-year strategic programme to embed employability across Scotland's universities and colleges, ensuring that all graduates have the chance to gain these skills and attributes.
This includes support for enterprise and entrepreneurship among students via the Scottish Institute for Enterprise, encouraging and developing students into young people with the skills and ambition to start their own businesses, which will contribute to Scotland's economic recovery.

The Council is also funding a major programme of work placements. The aim of all these projects is two-fold: to develop the skills and abilities of graduates to enable them to contribute effectively to the businesses in which they ultimately gain employment; and to provide access for businesses to new knowledge and skills, which will provide new commercial opportunities and support economic growth.

**Access & Inclusion**

Investment in access is part of a strategy to contribute to tackling the significant inequalities in Scottish society. It is about ensuring that all sections of our society are better educated and skilled to make the greatest economic contribution. Investment in access also has significant public value benefits in terms of individual and community health and well-being, life chances and cohesion.

SFC investment includes support to raise the aspiration and progression of those school pupils in deprived areas to stay-on at school and progress to higher education. It involves support to vulnerable groups of young people, including the MCMC group and those who are or were looked after, along with those furthest from the labour market. It supports people from deprived areas to get to and stay at university and it includes fair access for our brightest school pupils from our most disadvantaged areas accessing our most selective HEIs.

**Knowledge Exchange**

The SFC allocates Knowledge Exchange funding to help ensure the exploitation of the world-leading and internationally excellent research undertaken in Scottish HEIs. In the last year the SFC has made several important investments. This includes an Innovation Voucher Scheme, run by Interface, an SFC-supported organisation that serves as a central point of access for industry and commercial organisations to the knowledge, expertise, services and facilities available from Scottish HEIs and Research Institutes. The scheme has attracted the interest of hundreds of SMEs, many in sectors central to the development of the Scottish economy.

The SFC has been instrumental in helping establish the Scottish Universities Industry Innovation Network for Food and Drink, a partnership of 17 Scottish HEIs which will work to meet the research and innovation needs of Scottish food and drink companies.

The SFC has invested in the Scottish Centre for Carbon Storage (SCCS), which will allow the Centre to expand its research and development work in low carbon energy technology and then support the use of this technology in an industrial context.

In health, the SFC has funded the Scottish School of Public Health Research, which combines the research expertise of the Universities of Edinburgh, Aberdeen, Dundee,
St Andrews and Glasgow, to investigate key issues that have an impact on the health of people in Scotland, including alcohol abuse, smoking, and obesity.

**Whether, over the Spending Review period, the number of students from outside Scotland who study in Scotland, and the number of Scottish-domiciled students who study outside Scotland is likely to change. If so, what the budgetary implications would be.**

The decision about where to study is a matter for an individual student to take, having regard to a range of factors. SFC is not in a position to predict with any accuracy what future student demand will be.

As a result of changes to the tuition fee arrangements for students domiciled in the rest of the UK (RUK), Scottish institutions are now faced with both an opportunity and a risk. They may be able to generate extra income if demand from students from RUK increases, but they also run the risk of a fall in demand, as SFC teaching funding will in future only provide places for students from Scotland and other parts of the EU (outside the UK).

In 2009-10 there were just under 147,000 students in Scottish universities eligible for funding; 135,000 undergraduate students and 12,000 taught postgraduate students. Around 14% of these undergraduates and 12% of these taught postgraduates are from the RUK; which equates to 18,900 and 1,600 students respectively.

However the numbers and proportions vary significantly between individual institutions (and subject areas); from less than 1% to over 40%. (There is a similar range at individual subject level.) Therefore the degree of opportunity and risk in relation to students from the RUK is different for each institution; with a much higher risk and potentially more volatility of income for institutions with a significant proportion of RUK students.

SFC has no locus in relation to students who study at institutions outside Scotland and therefore we cannot comment on the second part of the question.

**Over the Spending Review period, how tuition fee levels in the rest of the UK are likely to impact on Scottish HEIs**

The arrangements which the Scottish Government has consulted on are designed to ensure that Scottish domiciled students are not adversely affected by an influx of students from the rest of the UK.

SFC will no longer be required to provide teaching funding to Scottish universities for places taken by students from the rest of the UK (RUK). This will free-up some of the core teaching grant (around £25 million in 2012-13, eventually rising to around £85 million each year), which will be redistributed fairly in order to benefit the whole sector and also to ensure that high cost and strategically important subjects (medicine, dentistry, veterinary science, engineering, science, creative arts, etc.) are not damaged by the operation of a deregulated RUK tuition fee ‘market’. For context, SFC teaching grant in 2010-11 totalled £670 million.
How to ensure that all types of learners, for example, full time and part time, will be able access further an higher education
We will continue to work to widen access to universities and consider ways of accelerating the learner journey. The legislation proposed in *Putting the Learner First* would also assist in this. In both colleges and universities we will work through outcome agreements to ensure that part time provision – in particular that which relates to workforce development – receives appropriate priority.