Dear Angela

During the autumn, members of the Education and Culture Committee undertook a series of sessions looking at the spending decisions made and outcomes delivered by 5 public bodies within our remit, including the Scottish Funding Council.

Members agreed this work would feed into the Committee budget report and in addition they would consider producing a series of letters to the Scottish Government drawing attention to issues heard in evidence and seeking comment.

The Committee scrutiny had the stated purpose of allowing us to:

- Understand the added value each body provides;
- Question the progress each is making on their key strategic objectives;
- Understand how transparent each is in evaluating and reporting on the effectiveness of their work;
- Question how each contributes to the Scottish Government’s National performance Framework; and
- Potentially consider whether their funding levels and key strategic objectives are appropriate.

Each body was invited to provide oral evidence and, in advance, respond to a series of written questions which sought information on their key objectives and measures.

Written comment from key stakeholders and others was invited and assisted in our examination of each body.
The remainder of this letter covers matters we wish to bring to the attention of the Scottish Government, who provide the bulk of funding to each body. In so doing, we have highlighted where we consider the Scottish Government as the sponsors of these bodies could have views.

For information, we will in our legacy report to our successor Committee be recommending this work is repeated with each body on an annual basis. This will allow the Committee to build, through annual scrutiny, a better understanding of the operation of each body and to follow through on information received and activities undertaken from year to year.

In relation to the Scottish Funding Council (“SFC”) we heard from senior management on 29 September in relation to their Corporate Plan for 2012-15, recent audit reports and Ministerial letters of guidance to the SFC.

In addition to their written submission and comment from stakeholders we considered published audit reports. The responses to the questions asked, all written submissions, the official report of our meeting and a subsequent exchange of correspondence with the SFC seeking clarification of certain matters are all available here on our web site.

Having considered all the material the Committee would welcome the views of the Scottish Government in relation to the following areas.

**Widening access**

We are aware from our work over the last year or more of the intention to widen access to universities, particularly for the most disadvantaged students. We have considered proposals relating to additional funded places and the development of contextualised admissions.

It remains unclear the extent to which in future there will continue to be a competitive dimension to university admission. The alternative would be a move towards a system where more of those with demonstrable potential who wish to go to university are funded to attend. We were interested in the levels of demand such a move would create and whether additional places could be created. SFC stated:

“If the additional places were to be introduced as a significant long-term measure and our budget remained static, we could afford them at the price of managing other budgets that we have…”

This led to consideration of the budget position of SFC in terms of the cost of delivering the Scottish Government’s ambition on widening access. We were told:

“It is quite hard to cost that, because it is necessary to make assumptions about how access should be widened and whether that should be done by

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1 Official Report 29 September 2015 column 59
equalising upwards, so that the participation rate of what is currently the lowest quintile is the same as the participation rate of the highest quintile, or whether the world will change over the next 17 years, such that the participation rate equalises but does not increase."2

Q As university access is widened how will the funding of the SFC to pay for university places be adjusted?

International competition

We have noted the changing demographics of students at UK universities in recent years and asked SFC whether it should have a defined international role. In so doing we noted its statements that “other people are trying to emulate what we are doing in the sector in Scotland” and it is “not actively engaged in monitoring international competitors” (although its reply said it “conducts regular horizon scanning exercises to anticipate and respond to global challenges and opportunities”).

Our interest lies in whether countries may, in the future, substantially increase their spending on universities with the result that Scottish universities are not able to realise the same income levels from research, international students, foreign campuses, etc.

Q We would be interested in the contingency plans of the Scottish Government in the event numbers of foreign students fall in the above circumstances?

Return for public investment

We asked SFC to consider the merit of taking an equity share, or similar, in relation to the public money (£264 million in 13/14) it provides to universities for knowledge exchange activities; noting universities generate some £441 million of income.

Its response explained their role was “to fund research and to fund development”3. They invest in research capacity and it would not be appropriate to take equity shares, noting efforts made to support institutions “to take imaginative approaches to ensure a return on the public investment made in projects with significant commercial potential”4.

Q We would welcome the views of the Scottish Government whether they consider the public purse as opposed to private investors or HEIs – should benefit from state investment in research and innovation?

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2 Official Report 29 September 2015 column 60
3 Official Report 29 November 2015 col 43
4 Letter from SFC dated 24 November page 1
Universities’ funding

Related to some of the other points above, we asked SFC about the extent to which – in providing public money to bodies that also receive substantial income from other sources – it takes account of universities’ overall incomes.

The SFC’s response seemed to be based on the principle that it is for SFC to support the sector to grow, rather than for the sector to support itself, and seek SFC support where necessary. We were told:

“As we want to encourage and support our universities to grow and diversify their external income to ensure the long-term sustainability of the sector and this provision, we do not allocate funding based on universities’ overall incomes from other sources.”

During our oral evidence session with SFC, it noted in response to a question relating to the costs incurred by universities in delivering additional places:

“The issue of meeting the full economic costs of teaching is a bit more complicated. Some universities have multiple sources of income and we expect them to maximise those sources because that income contributes to covering the costs that they incur in their provision of teaching.”

Q The Scottish Funding Council funds the teaching of Scottish and EU students, we would welcome the Scottish Government’s views as to whether HEI’s should contribute more towards this cost?

Matching skills needs

Given existing skills shortages (for example, in IT and STEM) the Committee questioned SFC on its statement that “we are in a unique position to anticipate, and to respond to, student and employer needs and gaps in higher and further education across Scotland.”

In response, SFC provided detail on a range of relevant initiatives it is involved in. It also noted a key theme of its strategic plan, “to ensure that students leave college and university with the skills, flexibility, and attributes required to succeed in life, and that employers’ current and future skills needs are identified and met.”

We cannot but help contrast this response to those from SDS who suggested workforce planning was poor and contrasted the position across the UK with all other OECD countries indicating the UK are alone in not planning ahead and “investing today for the future of tomorrow”. SDS also indicated that “few industries or employers have a long-term view of their skills needs”

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5 Letter from SFC dated 24 November 2015 page 7
6 Official Report 29 November 2015 col 59
7 Initial submission page 3
8 Letter from SFC dated 24 November 2015 page 3
Q Can the Scottish Government indicate who they consider bears the primary responsibility for ensuring the workforce of the future has the skills required by industry?

Letter of guidance

The Cabinet Secretary’s letter of guidance to SFC (10 September 2015) stated:

“I consider it essential that you accelerate your efforts to reform and strengthen your own organisation to ensure it is attuned to the evolving political and economic environment and the needs of our communities; capable of acute analysis and effective and efficient ways of working; and of delivering effective, high-quality leadership to the HE and FE sectors it funds, ensuring that public investment delivers for learners and, ultimately, grows the economy.”

Q We would be grateful if the Scottish Government would set out in more detail their concerns about SFC’s abilities in the areas highlighted within the letter of guidance.

Given this work is undertaken as part of our work in scrutinising the Scottish Government budget it would be helpful to receive a response to the questions by Thursday 14 January 2016.

Yours sincerely

STEWART MAXWELL MSP
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9 Letter of guidance from the Scottish Government dated 10/09/2015