SFC Evidence to the SP Education and Culture Committee: additional information

Q1. To provide your views on the merit of the SFC taking an equity share, or similar, in relation to the public money it provides to universities for knowledge exchange activities. (col 41 onwards);

SFC invests in the development of a college and university system which, through enhanced learning, research and knowledge exchange, leads to improved economic, educational, social, civic and cultural outcomes for the people of Scotland. It does this (in part) by supporting activities which help transfer intellectual value into society and, in particular, into economic benefit for the nation.

SFC believes that it is vitally important for Scotland’s universities to be partners for business and to work as smoothly as possible to enable intellectual value arising from research to be put to commercial or other societal use with no unnecessary obstacles.

Our role is to invest in the research capacity that underpins the globally excellent research in our universities and to work with the universities to facilitate the realisation of greater public benefit (from that research) to society through direct economic impact or through benefits such as healthcare improvements, cultural impact or public sector delivery improvements.

Where universities enter into commercial transactions involving intellectual property, our view is that this should be done with the aim of getting maximum value into society, most likely in the real economy, rather than with a view to make maximum income for the university. We recognise that income to the university can be appropriate, where that does not inhibit the commercial growth of the new company. The commercial deals may include equity stakes taken by the university, by public sector bodies designed for such economic development functions or by private sector investors. The value the universities realise will be recycled back into their activities.

SFC has supported institutions to take imaginative approaches to ensure a return on the public investment made in projects with significant commercial potential. As an example, during the development of the ‘Industrially Generated Blood project’, a multi-institutional and multi-disciplinary project that has been commercially focused from its inception, the partners agreed that a share of the future net revenue received by the universities involved will be utilised for the purpose of continuing medical research, whether alone or in collaboration with others. This has been agreed by all parties and is included in the revenue sharing agreement.

In summary, our view is that adding SFC as another participant in negotiations about the exploitation of research would complicate a process that can already be difficult. It would add another set of lawyers (SFC’s) to the process of commercial judgement and valuing of intellectual assets. Our view is that this is likely to impede the flow of innovation into the economy.
Where they do reap a return from commercialisation the universities already benefit by the income they receive which they reinvest in their activities and subsidise the quality of learning and teaching, investment in their estates etc. This is another part of the system that encourages universities to be entrepreneurial in their activities.

Overall, therefore we do not feel that taking equity stakes should be a role for SFC, though we remain open to further discussion on this through the Innovation Forum.

Q2. Specific examples of when the Funding Council has influenced course provision in a way that significantly improved outcomes for employers and students (col 43);

SFC has made a number of strategic interventions to help enhance student employability. Examples of these are highlighted below.

- SFC has provided strategic funding and facilitated engagement to support the creation of the University of Strathclyde’s Engineering Academy. The Academy is a partnership between the University, partner colleges and the engineering industry to provide a pioneering programme that offers a route into university and employment. Students receive industry-funded scholarships and guaranteed paid summer placements in the course of their programme, learning in an industry environment and ensuring that their skills are relevant to the needs of the engineering employers.

- SFC has provided 342 targeted additional undergraduate places each year for 4 years from 2013-14 to address skills gaps in key growth sectors (Life-Sciences, Low Carbon and Renewables, Manufacturing, Digital Media and Oil and Gas). Places were allocated to universities programmes that had been developed in collaboration with industry, where there was strong evidence of industry need in meeting existing or impending skills gaps at graduate level, and that included opportunities for high-quality work placements.

- SFC has also invested heavily in taught postgraduate provision and has provided additional funding for 730 additional places each year for 4 years from 2013-14. These places, (predominantly in Life-Sciences, Energy, Food and Drink, Creative Industries, Sustainable Tourism, Financial and Business Services) have been targeted at supporting provision of new courses designed with industry. An addition 215 places each year have been allocated to the innovation Centres with six of those eight ICs having a very strong ICT/digital dimension.

- SFC’s supports the activities of the Energy Skills Partnership, a consortium of learning providers which ensures the delivery of the right skills for the energy sector. The partnership acts as an interface with industry bodies and trade associations to identify industry skills needs and, in response to this, delivery of ‘train-the-trainer,’ courses to ensure courses and programmes are relevant. Other achievements of the partnership include placements for HND students, shared training equipment and Energy careers fairs which employers noted as being vital in helping businesses recruit suitably qualified staff.

- Other industry-specific partnerships for which SFC provides funding include the Scottish Textiles Skills Partnership and Scotland’s Food and Drink Skills Academy. These have been
established to address market failure and to provide a single point of entry for industry. A key success of this investment has been the roll-out of industry placements and CPD programmes.

- SFC funds the South-East Scotland Academies Partnership, a collaboration led by Queen Margaret University and Edinburgh College in partnership with local authorities, councils, colleges and industry. There are currently four academies: Creative Industries, Health and Social Care, Hospitality and Tourism, and Health and Social Care. Industry partnership is a major element across all academies. The partnerships provide students with access to invaluable industry expertise, site visits and industry placements.

A key theme of the SFC strategic plan is 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.

SFC works in close collaboration with partner organisations such as Skills Development Scotland (SDS) and NHS Education Scotland (NES) and the Quality Assurance Agency to progress this theme. SFC and SDS operate a Joint Skills Committee with the aim of improving our understanding of skills needs in different areas of the economy. With a broad membership drawn from representatives of key employer groups, SMEs, enterprise agencies, students and trade unions – as well as colleges and universities – the Committee acts as a national resource and skills policy forum focused on achieving the Scottish Government’s economic strategy. SFC also collaborates closely with SDS on the development of Skills Investment Plans (SIPs) for key industry sectors, and Regional Skills Assessments (RSA), to provide a single shared evidence base used by national, regional and local partners for making investment decisions.

Finally, in their Outcome Agreements with SFC, universities and colleges are asked to provide evidence of how their programmes respond to the current and future skills needs of employers, as outlined in SIPs, RSAs, and other sources of labour market intelligence, and how they ensure their curriculum remains relevant and dynamic.

**Q3. The Council said it is in “a unique position to anticipate, and to respond to, student and employer needs and gaps in higher and further education across Scotland.” Given this statement and the statements bulleted below (in the context of a discussion on IT, col 45 onwards) we would welcome a more detailed update on how you intend to better meet employers’ future needs:**

- “We need to match the courses better to employers’ needs”
- “There are mismatches in areas such as ICT, and we want to work with colleges and universities to ensure that the mismatch disappears”.
- “We will encourage the colleges and universities to come together in some form of partnership to ensure that the courses are right and are badged to employers;”

As the national, strategic body for the funding of further and higher education in Scotland, we have a duty to ensure that the system of learning works well as a whole. We provide the leadership necessary to make certain that this system is well-connected and coherent for
the benefit of both learners and employers. As indicated above, SFC works in close collaboration with our partners, particularly SDS, NES and Scotland’s enterprise agencies in discharging this duty.

Outcome Agreements provide evidence of how universities and colleges are responsive to the skills needs of students and employers. The OA process also provides a forum for an ongoing dialogue between SFC and institutions, offering an early warning system where institutions can alert SFC to significant changes in their provision, or seek support to develop new programmes to address emerging skills needs.

Specifically in relation to the Committee’s questions around ICT provision, SFC is a key partner in the ICT and Digital Skills, Skills Investment Plan. Theme three of the plan relates to working together to make the education system more responsive to the needs of employers. The objectives of theme three are as follows:

- Ensure the education system is aligned with the needs of businesses for ICT and digital technology skills.
- Increase the number and relevance of graduates available to enter the ICT and digital technology sector.
- Improve the collaborations between industry and education.

In order to meet the objectives of theme three SFC facilitated a Digital Skills Forum held on 19th May 2015. The Forum involved representatives from industry, HE, FE, SDS, Education Scotland, SQA, College Development Network, Scotland IS and Scottish Government with the following objectives:

- Explore areas of innovation, growth and development within the sectors.
- Consider how employers can better contribute to curriculum content and design.
- Look at flexible and new models of delivery in collaboration with industry networks.

SFC have progressed the feedback and knowledge gained from the Forum by meeting with college and university partners to reach agreement on a partnership model of engagement with industry. A steering group has been established and a proposal developed to take to key partners including Scottish Government, SDS and industry by December 2015. The model proposed allows demands from employers to influence mainstream provision in universities and colleges and identifies the provision in institutions that is needed to allow employers of ICT professionals to flourish. Our aim is that employers will have a very clear route for making the universities and colleges aware of what students need to know and that potential students will be able to find out what courses are valued by future employers.

Finally, under our Learning to Work Two employability programme, SFC has, since 2010, funded the E-Placement Scotland project for students in ICT subjects. This is a partnership led by Edinburgh Napier University with industry involvement from Scotland IS. As well as creating over 1,000 placements since 2010, the project has run events with Scotland’s Universities and Colleges with employer input and technical talks from industry, bringing the IT sector closer to Universities and Colleges.
**Q4. In column 53, the SFC committed to raising with the board criticisms made by some universities about your relationship with the Scottish Government. Please provide an update on any action you agree to take further to these discussions;**

In response to concerns expressed by our stakeholders in the evidence provided to the ECC, we invited Universities Scotland and Colleges Scotland to join us at our most recent Strategic Board away day on 29 October 2015.

In order to facilitate the discussion, we circulated before the event a note of key issues. This included the following question: Some people say that SFC is ‘too close’ to Scottish Government? Why do people think this? Should SFC perform more of an advocacy function vis-à-vis the colleges and universities? How should the relationship between SFC and Scottish Government operate?

During the discussion, both our Board and the sector representatives recognised the role that SFC had; that it was not for us to ‘lobby’ for the sectors; and that where we give advice to Scottish Government, we do so in confidence.

Nevertheless the sectors needed to be confident that we understood sufficiently well the practicalities of operations of colleges and universities; had a good appreciation of the value of their work and contribution; and therefore that our decisions and advice were soundly based.

We agreed that working together with the sectors, 'co-creating' policy and sharing information helped to build this confidence. Therefore, as far as resources permit both in SFC and in the sectors, we will seek to work in this way; recognising that SFC operates in the context of Scottish Government guidance.

**Q5. In relation to your statements that the SFC is “not actively engaged in monitoring international competitors” and that “other people are trying to emulate what we are doing in the sector in Scotland”, please state whether you consider that the Council should have a defined international role. The Committee’s interest is in whether some 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.**

SFC is acutely aware that Scotland faces a challenge from many other nations seeking to gain economic advantage by increasing investment in education. International rankings and the Research Excellence Framework (REF2014) provide robust evidence that our universities currently compete well with the best universities across the UK and internationally. SFC continues to monitor this data to inform our policies and strategies, and conducts regular horizon scanning exercises to anticipate and respond to global challenges and opportunities.

SFC’s new Strategic Plan, 2015-18 sets out a number of strategic actions across a range of themes that, taken together, define SFC’s international role:
• Promote Scotland to the rest of the world through supporting universities in their recruitment of student, and in the development of international collaborations and partnerships.

• Ensuring the continued high quality of Scottish university courses though our quality enhancement work with QAA Scotland.

• Help students succeed in the global economy by supporting and promoting the study of languages and by encouraging more international student mobility.

• Prioritise our investment in research on developing world-leading and internationally excellent research.

• Work with Connected Scotland to promote international engagement of Scotland’s universities.

• Support the work of enterprise agencies and the planned One Scotland partnerships through SFC investment in Innovation Centres and Research Pools.

We will continue to report on progress with taking these actions forward to the Scottish Government, and in our annual reports to the Scottish Parliament.

SFC has used strategic funding interventions in support of these themes, facilitating international engagement on behalf of the sector, e.g. the shared programme between SFC and the Research Grants Council of Hong Kong enabling collaborative research in the life-sciences and energy, and the research pooling initiative which has had notable success in attracting leading international researchers to Scotland.

It should be noted that partnership working and collaboration are central to the ethos of the SFC. It is through the Connected Scotland partnership\(^1\) that SFC fully realises the benefits of joint working to enhance the standing of Scottish education globally, and amplify and target the University sector’s offering to an international audience.

Wherever possible, we align this work with the international strategies and initiatives of the Scottish Government and the Research Councils UK. We also participate fully in the UK Higher Education International Unit established to co-ordinate, promote and undertake activities designed to support UK universities in a globally competitive world.

**Q6. On a related note, please explain the extent to which – in providing public money to bodies that also receive substantial income from other sources – you take account of universities’ overall incomes.**

Successive Cabinet Secretaries from all parties have asked SFC to use its funding to support high-quality and effective learning, and international competitive research – wherever it is found – to best support Scottish Government priorities. However, SFC funding alone would not be sufficient to enable our institutions to offer the diverse and rich ‘world-class’ provision they currently provide. As we want to encourage and support our universities to

\(^1\) The eight partners of Connected Scotland are SFC, Scottish Government, Universities Scotland, The Royal Society of Edinburgh, British Council Scotland, Scottish Enterprise, Highland and Islands Enterprise, and Scotland International
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.

As autonomous, not-for-profit bodies, universities are able to attract income (fees, research, consultancy and training contracts, donations and endowments, and other commercial income) from a range of sources that allows them to invest in their strengths and specialisms – which in turn deliver benefits for Scotland. Most of this additional investment comes from sources outwith Scotland, attracted by our teaching and research excellence. HEIs use this income to enhance publicly funded elements of teaching and research provision for the benefit of all those studying and researching in Scotland.

SFC funding for high-quality teaching and research provides our universities with a platform to lever additional funding from other sources, including fee income and competitively won research grants, multiplying the impact of public investment. For example, fees from international students enhance public funding resources for teaching Scotland-domiciled learners. In 2013/14 SFC teaching funding of £640m was matched by fee income (from RUK, international and postgraduate fees) of £861m. In the same year SFC investment in research excellence of £264m secured an additional £679m in income. Without core funding from SFC targeted at supporting research and teaching excellence, this additional investment would simply go elsewhere.

SFC funding to universities is used to enable delivery of Scottish Government priorities. It contributes towards the costs of learning and teaching, skills development, research, innovation, knowledge exchange and strategic development in Scotland’s universities. It also supports other costs such as estates, staff and equipment necessary for the delivery of all university activity.

In its strategic funding allocations SFC seeks to maximise the impact of its funding by ensuring that – as far as possible – additional funds are matched by institutions and lever in additional resource to the sector. SFC also works closely with other public agencies to ensure that all public investment is aligned to achieve Scottish Government priorities. For example, SFC’s investment of £15m in the University of Strathclyde’s £89.6m Technology & Innovation Centre (TIC) to transform the way academics, business, industry and the public sector work together was matched by £11m from Scottish Enterprise, £6.6m of ERDF funding, and £57m from the University’s own resources. There is also an expectation that SFC strategic investments are for a finite period to deliver innovation and positive change becoming self-sustaining over time.

Through the Outcome Agreement process the SFC supports and monitors institutions’ success in diversifying and growing their external income streams to secure financial sustainability. We also negotiate the return that we and the Scottish Government expect for the public investment in higher education and how this can be enhanced from other available sources.