January 2016

Dear Convenor

Thank you for your letter dated 17 December 2015 in which you invited the Scottish Government's views on questions arising from your sessions looking at spending decisions made and outcomes delivered by public bodies including the Scottish Funding Council. I very much welcome the opportunity to set out the Government's response to these questions, outlining our commitment to widening access to university and ensuring maximum value for public investment. I will respond to the Committee’s specific questions below:

Widening access

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

The Scottish Government is enabling more Scottish domiciled students to attend university than ever before. However, we are firmly committed to enabling improved access to higher education for a higher proportion of students from less advantaged backgrounds. To accelerate progress, the Scottish Funding Council has introduced extra funded places over the past three academic years in support of widening access. These places have been included in the baseline for future years increasing the total number of places available to Scottish and EU students.

That is one key action being taken in this area. Higher education institutions (HEIs) are also employing contextualised admissions and developing complementary measures to ensure they reach all potential students. Further, the Scottish Government looks forward to the final report of the Commission on Widening Access. The recommendations in that report will help all partners with an interest in driving this agenda forward to clarify which actions will deliver the most impact in making full equality of access to higher education a reality.

Additional funded places do of course make a contribution. However, we must not only see widening access through that lens. In order to deliver genuine equality of access to higher
education, all concerned must work together to ensure that a child born today in one of our most deprived communities has the sort of life and educational experience that results in them seeing a university education as a realistic option.

International competition

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?

All indications suggest that international students continue to be attracted by the international reputation, quality of teaching, and research excellence of our universities in Scotland. Data from the Higher Education Statistics Agency (HESA) show significant increases in recent years for international entrants (non-EU) to higher education at HEIs in Scotland, from 12,205 in 2007-8 to 16,020 in 2013-14.

It is vital that Scotland has an excellent post study work offer for international students. The UK Government’s continued refusal to reinstate a post study work route in Scotland is putting Scotland at a competitive disadvantage. Scotland’s increase in international entrants masks significant falls in student numbers from key countries including India and Nigeria, and increases in the number of international students studying in the United States, Canada and Australia show that Scotland is losing out to its key competitor countries.

Connected Scotland initiative uses an evidence-based approach to identify opportunities in mature and emerging markets worldwide to increase the value to Scotland for international student recruitment, transnational education and research. This collaborative approach enables all partners (the Scottish Funding Council, Scottish Enterprise, Highlands and Islands Enterprise, Scottish Development International, Universities Scotland, the Royal Society of Edinburgh, British Council Scotland, the HEIs and the Scottish Government) to share intelligence around the best target markets in which to promote Scotland’s distinctive higher education assets. This approach is more proactive than a contingency plan but has at its core similar aims: working together to maximise benefits and impact of our choices and actions, and to identify and mitigate risks.

At the same time these partners continue to monitor Scotland’s market competitors. We cannot influence whether other countries from which we would hope to recruit international students will increase their investment in higher education to retain more of their students at home, or adjust fee tariffs or post study work options to make their offer more attractive. The record of Scottish institutions in attracting international students is impressive, and we expect that to continue.

Return for public investment

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?

The benefits derived from public investment in this area are intended to increase (public and private sector) innovation and productivity, to increase sustainable economic growth, and to stimulate further employment and wellbeing, resulting in considerable public benefits. In that context, we are of the view that it is not appropriate for the public sector – rather than the private sector and HEIs – to directly benefit financially from its investment in research and
innovation. More specifically, we support the view of the Scottish Funding Council that it would be inappropriate for them to take an equity share in their investments.

We support initiatives, such as Easy Access IP which provides “free” and simplified access to academic research and helps to reduce any barriers for companies to engage with academia, to support the translation of our world class research into economic growth and public good.

However, we believe there is scope for the Scottish Funding Council along with Scottish Enterprise and Highlands and Islands Enterprise to align more closely their approach to innovation. As the 2016-17 draft Budget indicated, we will be working with the Scottish Funding Council, the Enterprise Agencies and the universities “to further align our approach to innovation, to pool funding and to simplify the innovation landscape and access to support”.

Universities’ funding

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?

The Scottish Government is committed to a policy of free tuition for first-time Scottish domiciled undergraduates. The requirements of the EU mean that EU domiciled students are entitled to the same. Our commitment to this policy is firm. In light of that, we continue to invest heavily in our HEIs to ensure it is delivered on in full. At a strategic level, we want our relationship with HEIs to grow and mature over time supporting universities to leverage in resources from other sources to support delivery of research and teaching. It is hard to predict what the delivery of higher education might look like in 20 years. As such, close and productive partnership working between the sector, the Scottish Funding Council and the Scottish Government is crucial.

Matching skills needs

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?

Responsibility for ensuring the workforce of the future has the skills required by industry is a shared endeavour. In terms of ensuring that education and training align with future skills needs, both Skills Development Scotland and the Scottish Funding Council collaborate closely to ensure that provision is aligned with the best quality labour market information available. The Scottish Qualifications Agency also plays an important role in ensuring that vocational qualifications are aligned with industry needs.

In recent years, Skills Development Scotland has worked with industry to develop sector specific Skills Investment Plans and geographically focussed Regional Skills Assessments. These are becoming increasing important in informing provision. The SDS/SFC Joint Skills Committee – a statutory committee of the Scottish Funding Council comprising representation from industry and the education sector - plays an important strategic role in ensuring both organisations focus on aligning provision with industry demand.
At an institutional level the move to outcome agreements for colleges and universities has sharpened the focus on aligning provision with need. In terms of Skills Development Scotland training provision, the annual contracting process requires training providers to demonstrate labour market demand for funded training places. Local Employability Partnerships across Scotland also have a role to play in ensuring that pre-employment training is aligned with local labour market intelligence.

There is also an important role for industry to play at the level of the individual employer, the local and regional employer and the industrial sector. This element is developing through the skills focus of Industry Leadership Groups and the formation of industry-led Developing the Young Workforce (DYW) Regional Groups across Scotland as part of Scotland’s Youth Employment Strategy.

Letter of guidance

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.

My letter of guidance dated 10 September 2015 set out the strategic objectives for the further and higher education sectors and the need for the Scottish Funding Council to demonstrate a learner-centred approach and clever collaboration. The nature of the relationship between the Scottish Funding Council and both the college and university sectors changed in response to post 16 reform and the introduction of outcome agreements. The Scottish Funding Council responded well to this new position and I expect their commitment to continuous improvement to remain.

The financial context and the continued austerity cuts from Westminster mean the need for us to maximise public value for our investment continues: with that in mind, I set out to the Scottish Funding Council my expectation that they would continue to reform and strengthen its own organisation to ensure continued efficient and effective ways of working. This aligns to the Scottish Government’s commitment to maintain the momentum of public sector reform, ensuring our public bodies remain able to provide leadership in a challenging economic environment. And it underlined, as confirmed in earlier answers, my expectation that Scottish Funding Council will continue to collaborate effectively with delivery partners such as Skills Development Scotland in order to meet the skills need of industry.

I hope that these comments are helpful.

ANGELA CONSTANCE