Higher education is one of the key assets of Scotland, but its value may not yet be fully appreciated or fully exploited. Scotland's universities perform strongly in all international comparisons, and within Scotland they operate according to best practice. Through the process of outcome agreements in particular, they clearly demonstrate the contribution they make to keep public policy priorities.

In the period ahead, the most important contributions that the universities can make are twofold. First, universities can help to ensure that Scotland has a well educated and, as appropriate, well trained population that can adapt to changing working environments and can supply the skills that the economy needs. They can also help to ensure that these skills are well distributed in socio-economic terms, so that those from disadvantaged backgrounds who have the intellectual skills are able to access higher education and, subsequently, those parts of the labour market that draw on graduates for employment. It will be vital that the higher education sector will have access to the resources needed to ensure that the quality of university degree courses compare favourably with those in other countries, to ensure that Scotland is attractive to investors establishing high value enterprises.

Secondly, it is important that Scotland's universities are able to make a strong contribution to the development of the country's scholarship and high value knowledge base. Scotland does not perform strongly in relation to R&D carried out locally. There are of course exceptions to that, but a significant body of industry in Scotland performs fairly basic operations, using innovation imported from elsewhere. So for example the oil industry, which plays a very important role in Scotland's economy, performs an inadequate amount of R&D within the country. In turn, relatively little academic research carried out within the country is of direct relevance to this particular sector. The normal process by which companies decide where to make high value investments that draw on and apply world class innovation is not therefore stimulated: companies do not identify significant clusters of relevant research activity with which to link their R&D. The recent establishment of innovation centres, and in particular the Oil and Gas Innovation Centre, will probably make a contribution to correcting this problem. Overall, however, it will be important that there should be access to research funding that directly targets activities of economic significance, and that these funds are developed and administered within Scotland. An example elsewhere of such a framework is provided by Science Foundation Ireland.

In addition, it will be useful for Scottish researchers to continue to have access to UK Research Council funds. The case for this is well understood, and has been made repeatedly by the university sector. In any case, Scotland’s researchers have always performed very well in both accessing and using these funds.