

EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

Wednesday 28 January 2009

Session 3

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EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE **3rd Meeting 2009, Session 3**

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

COMMITTEE MEMBERS

*Claire Baker (Mid Scotland and Fife) (Lab)
*Aileen Campbell (South of Scotland) (SNP)
*Ken Macintosh (Eastwood) (Lab)
*Christina McKelvie (Central Scotland) (SNP)
*Elizabeth Smith (Mid Scotland and Fife) (Con)
*Margaret Smith (Edinburgh West) (LD)

COMMITTEE SUBSTITUTES

Ted Brocklebank (Mid Scotland and Fife) (Con)
Bill Kidd (Glasgow) (SNP)
Hugh O'Donnell (Central Scotland) (LD)
Cathy Peattie (Falkirk East) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

David Caldwell (Universities Scotland)
John F McClelland CBE (Scottish Further and Higher Education Funding Council)
Sir Muir Russell (Joint Future Thinking Taskforce on Universities)
Mary Senior (Scottish Trades Union Congress)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Nick Hawthorne

LOCATION

Committee Room 6

Scottish Parliament
Education, Lifelong Learning and
Culture Committee

Wednesday 28 January 2009

[THE CONVENER *opened the meeting at 10:00*]

Decision on Taking Business in
Private

The Convener (Karen Whitefield): Good morning. I open the third meeting in 2009 of the Education, Lifelong Learning and Culture Committee and welcome all those who are in attendance. I remind everyone that mobile phones and BlackBerrys should be switched off for the duration of the meeting.

Agenda item 1 is to decide whether to consider our stage 1 report on the Education (Additional Support for Learning) (Scotland) Bill in private today and at future meetings. Is that agreed?

Members *indicated agreement.*

“New Horizons: Responding to
the Challenges of the 21st
Century”

10:00

The Convener: Agenda item 2 is the committee’s consideration of the report “New Horizons: Responding to the Challenges of the 21st Century” by the joint future thinking task force on universities. We have been joined by a distinguished panel. Sir Muir Russell is joint chair of the joint future thinking task force on universities, David Caldwell is director of Universities Scotland, John McClelland is chair of the Scottish Further and Higher Education Funding Council, and Mary Senior represents the Scottish Trades Union Congress.

Thank you for joining us this morning. We move straight to questions, and I begin by asking you about the membership of the task force. Who determined the membership? Did they consider including representatives of the trade unions, business and industry, and students? If so, why did they decide not to include such representatives?

Sir Muir Russell (Joint Future Thinking Taskforce on Universities): Perhaps I should answer that first, as I was convener of Universities Scotland at the time and the joint chair—with the Cabinet Secretary for Education and Lifelong Learning, Fiona Hyslop—of the task force.

The origins of the task force were that, following the spending review announcements in 2007, there was a good deal of anxiety and disappointment in the higher education sector about the outcome. There was a lot of consultation and discussion with the cabinet secretary and a lot of public comment, all of which led to the idea that we needed to create a structure in which we could get across more clearly, as we saw it, the sector’s requirements, the things that it can contribute to Scotland, and the resources that it needs to do that. That pointed to a fairly close discussion between Universities Scotland and the cabinet secretary and her supporters. The funding council, in the person of John McClelland, was also involved in that.

We considered whether we should have a bigger, longer and wider inquiry and decided that we should not. We decided that the inquiry should address the issues fairly quickly and work through the remit that you have seen, which is about the contribution and shape of the sector, the opportunities and barriers, and so on. We knew that there were other forums. In particular, a lot of account is taken of stakeholder input from the round-table forum. The cabinet secretary has said

on the record that she values the input from that forum.

We felt that the task force must be a quick, sharp and focused exercise that considered the outcome of the spending review through the prism of resources, the requirements and challenges that the universities would face in what they had to do, and how they would manage themselves over the next wee while. That is why we ended up where we did.

Mary Senior (Scottish Trades Union Congress): The STUC and trade unions in general were not happy with the decision that staff, trade unions and students should not be involved, given that they are key stakeholders in the sector. My colleagues on the panel are well aware of our concerns about that. The agenda was to move higher education in Scotland forward, and we believe that having the key stakeholders around the table would have added to the agenda, garnered support and made for a more meaningful report that would have been embraced by the sector. That was not achieved, perhaps because students and staff were not around the table.

I accept what Muir Russell said about needing a quick response, but the task force's remit was to look at the next 20 years. There seems to be a contradiction between getting a quick, more focused change and the need to consider the extensive remit of the task force along with full engagement with a wide range of stakeholders.

I know that STUC affiliates had hoped to come and speak to the committee today. It would be remiss of me not to mention their view that the Parliament has a key role to play in analysing the "New Horizons" report and its outcomes, and in engaging with all stakeholders, including academics, support staff and students as represented by the National Union of Students Scotland.

Sir Muir Russell: We provided an opportunity for Mary Senior and her colleagues and for student representatives to give evidence, and we had a good long discussion in two separate sessions. So there was an opportunity in the round table and in the task force to hear and take account of those views.

The Convener: It seems strange to me that, although the task force was established to respond to public concerns about the future of Scotland's universities and to discuss how we should address those concerns, we left out some of the key representatives of some of the major stakeholders that will be affected by how we fund our universities and the shape that they will take in the future. Perhaps it was a missed opportunity not to have them sitting at the table. I appreciate the fact that you consulted them, which is

welcome, but, as they are key stakeholders, perhaps they should have been part of the decision-making process, with equal standing to other members of the task force.

David Caldwell (Universities Scotland): We accept the importance of staff and students as key stakeholders. It was important for us that they were engaged in the process. At the large consultative event that was held in August, the speakers at the plenary sessions were members of the staff and student communities and they made a valuable contribution.

My main concern is the future. The task force report has taken us so far but there is a long way to go. I am very keen that we engage fully, not just with the staff and student communities, which are extremely important stakeholders for us, but with wider civic Scotland. The general public is an important constituency and there are others, such as the business and industry community. We must engage all those communities in an intelligent conversation about the vital contributions that universities make to the economy, culture and society of Scotland, and their ability to do even more than they are doing now. We are committed to that wider engagement.

The Convener: Thank you. I have a final point to make before I let Elizabeth Smith ask her questions about who participated in the task force.

I hope that you will take away my concern that there is a major difference between consultation and participation. In this case, some key stakeholders have been consulted rather than allowed to participate in the process. Should a similar group be established in the future, I hope that students, trade unions, industry and business will be represented and be able to participate and not just be consulted when it is considered to be appropriate.

Elizabeth Smith (Mid Scotland and Fife) (Con): I draw your attention to the concerns that were raised in the report about the lack of connection between the business community and academia; I believe that that was quite a strong theme in the report. What is the evidence that there are not particularly strong links between Scottish universities and the business community?

Sir Muir Russell: I will start off; others might want to come in.

Obviously, we had a lot of discussion about how universities contribute to Scotland's progress and development. Indeed, for years now, we have in our publicity and outreach activities drawn attention to what we do to help create knowledge and ideas and to stimulate and support business. Of course, the question that always arises is whether more can be done, consideration of which led us in turn into an examination of the sticking

points and the success or otherwise of various initiatives such as Nexus and Dialogue and many Scottish Enterprise-supported measures such as the proof of concept programme. They are all very good schemes in their way, but the question is whether there could or should be more of them and what should be done next.

We began to feel that one issue that is not particularly Scottish, but appears to affect Scotland more than south of the border, is business's interest in and capacity to absorb what we do. That is why the report refers to "absorptive capacity". You might remember the Lambert review of business-university collaboration, which I suppose set out with the idea that universities were retaining their intellectual property and were being difficult to deal with. However, its take-home message turned out to be that business was neither asking for nor using what universities were producing and, as a result, it became clear that the bridge had to be built in a different way. The need that had been identified—to make more of all our initiatives—led not only to the report's recommendation about trying to strengthen such links, but the section of the guidance dealing with that issue that went to John McClelland and his colleagues.

As I say, although one might feel one is doing quite well, there is always more to do. Of course, there is a community out there that feels that this is slightly alien territory. My university, for example, is trying to make itself easy to deal with in respect of licences, setting up companies and giving advice. We attach a lot of importance to and, indeed, push the things that you find in the arrangements for knowledge partnerships—or learning companies, as they used to be called—such as academics going to work with others. Sometimes you know that you are hitting your limits, particularly when these partnerships actually happen. Indeed, what happens can be so revelatory that you wish that it had happened sooner.

That is the evidence that we have. I do not want to suggest that there is some great survey showing that only one out of 2,000 businesses has heard of what is going on in universities. It is not quite like that; it is more that the people who do this work every day—our research and enterprise people, for example—have a feeling for what is going on.

I sense that David Caldwell is about to correct me.

David Caldwell: Absolutely not. In fact, I am going to reinforce what you have just said.

Perhaps I can put this in some context. If we compare the performance of Scotland's eight most research-intensive universities with the United

States's top 10 universities on a basket of commercialisation measures including spin-out companies, licences, patents and so on we will find that for every pound of income—or dollar of income, if you like—the Scottish universities perform better than the US universities. It would therefore be a mistake to assume that the connections between universities and business and industry in Scotland are poor; in fact, as far as the objective measures of knowledge transfer between the two sectors are concerned, they are rather good.

That said, I absolutely endorse Sir Muir Russell's point: the fact that we are doing quite well should not prevent us from aspiring to do even better. There are specific issues that we need to address in Scotland. For a start, a high proportion of our business and industry is small to medium-sized enterprises, which have found it more difficult to access universities' intellectual assets. We need to find ways of making that easier for them. In the past few years, the universities have, with the Scottish Further and Higher Education Funding Council's support, pioneered a really important—and, indeed, tremendously successful—new initiative called Interface, which enables SMEs in particular to access much more effectively the intellectual assets of universities. We need to do even more of that. Indeed, that is what the report is suggesting; it is saying not that we are doing badly but that we can do even better and that such an approach will bring real and substantial benefits to business and industry, and economic prosperity to Scotland.

10:15

Elizabeth Smith: You have both agreed that this is a major issue and that ties in with the report as far as I am concerned; it struck me that this is a very important area for university development. Why was there no formal representation from the business community on your task force?

Sir Muir Russell: That is a subset of the question that we have already been asked.

As I said at the beginning, the focus of the task force—which grew, as I say, out of comprehensive spending review processes that very much take place in the dark—was on developing the relationship with Government and the Scottish funding council. Here we were, getting the chance to have closer discussions, to get ideas across the table, to understand how to get evidence across and to convince the cabinet secretary of our resource requirements and what was needed. The call was made that we would get on with it and not have some big, slow-moving inquiry, but create a framework in which a lot more could be said and done. The burden of our position is that we have begun to create that framework and that things will

happen within it that respond to the various lines of policy.

Something that I should have said at the very start—I will say it now and hope that it will not be regarded as unconstructive—is that we did not ignore the business interest. In fact, it is recognised and up front in what we said. We did not ignore the student experience, which is one of the things that is totemic for Scottish universities and all our survey work and the feedback that we get is aimed at improving that. Finally, we did not ignore the need for wonderful research. We were in amongst the research assessment exercise and the resources needed for that. At each stage, the concerns about growth and proper resources that our trade union colleagues have expressed have been examined. We are planning and mapping out a framework within which these matters can be discussed and dealt with in a way that involves others.

I should shut up and let John McClelland say something about what the funding council is doing to make a reality of all this.

John F McClelland CBE (Scottish Further and Higher Education Funding Council): I want to highlight where we have reached in our implementation of the task force's findings and recommendations. For example, we already knew from work carried out by the funding council and others that knowledge transfer and knowledge exchange with SMEs, which was addressed in the task force's report, was a high-level issue. I have to some extent recommended the implementation of activities to address the matter, although I should point out that we are still working on the detail. In 2009-10, we will start to implement some of the task force's findings and will have, over the next two to three years, what might be described as a transitional phase.

As a result, detailed consultation, including with business and industry, has still to take place—not so much on what issues need to be addressed as on how we address them, the programmes that we need to introduce and any changes that will make it easier for SMEs to deal with our higher education institutions. We also want to understand how we can encourage small and medium-sized businesses to demand support and knowledge exchange from those institutions.

One huge issue is the granularity of what we are dealing with. A typical commercialisation department in a university might comprise 10 or 12 members of staff, and they will already find it a challenge to deal with the dozens or even hundreds of companies that are at the moment waiting and pushing for knowledge transfer and intellectual property exchange. It will therefore be even more of a challenge to deal with hundreds of thousands of small and medium-sized businesses.

As part of the implementation of the task force recommendations, we are trying to find more and better mechanisms for knowledge transfer. The area is quite complex and detailed consultation will take place as we implement the recommendations.

Elizabeth Smith: Pursuing that point, I am sure that you are well aware of public concern that, as far as the stakeholder groups are concerned, the task force's make-up was not that extensive. I fully understand your point about implementation and realise that a lot of consultation is going on. However, all that work relates to the implementation of decisions that have already been made and the concern is that, when decisions were being made about the inquiry's remit and its ramifications, other stakeholders were missing. Has that concern been flagged up to the task force?

John F McClelland: Industry and the business sector accept that knowledge exchange with small and medium-sized businesses is an issue. I should point out that we did not decide that that was the case, so much as acknowledge candid representations that we had received from trade bodies and industry sectors and recognise that action had to be taken to address the issue. As I have said, we are still working our way through the details of that action.

David Caldwell: John McClelland is much too modest to point out that he has a rather rich experience of business. He was also a member of the task force, so it is hardly the case that the task force lacked substantial experience and expertise in business and industry. In that respect, we were fortunate to have John at the table. Moreover, he represents the funding council, the board of which includes a number of members with very substantial business experience. Your point is fair, but the task force's work has been informed by Mr McClelland's experience and expertise.

Elizabeth Smith: I do not doubt any of that. All of the individuals involved bring a considerable degree of quality to the discussions.

The report states specifically that a key issue is to ensure that the universities' work is articulated with Government policy and economic objectives. Indeed, the same comment has been put on record many times, including by the cabinet secretary herself. I would have thought that, if a definitive link was going to be made between economic objectives and what is going on in the universities, a clear case would also have been made for someone—or even several people—to provide extensive input on the economic objectives and how they might be attained through the business community. Are you confident that that aim has been achieved under the current process?

Sir Muir Russell: I am confident that in this process we have been able to look at the things that we have been trying to do, the experience that we have and the lessons that we have learned and to create a framework within which more of that work can be carried out or different methods can be employed and the various schemes and approaches that we have been taking can be expanded, developed or changed. There is a hinterland of work, knowledge, thought and commitment on everything that I have mentioned, including the business relationship, that is concerned not just with innovation but with the quality, the employability and the entrepreneurship of graduates that we turn out to work in business. As I say, all that is pretty well grounded in work that is being carried out at the moment, and the report is simply looking at how we can gain acknowledgement and support from Government to ensure that we find ways of identifying resources and that, as John McClelland has made clear with regard to knowledge transfer, we can do these things better.

It is not a question of saying, "We now know about all this—our work here is done" and tying everything up in a parcel. We absolutely recognise that we need to carry on with this work, and we think that we have the cabinet secretary's support and conviction in that respect. The question is how we make this happen, how the universities are funded and incentivised, how the funding council works with us on all of this and how we work with the people out there to find the right approaches, new ideas and improved ways of working. It is all about having a framework, making a commitment, providing support and resources, recognising what we need to do with the different stakeholder groups and getting out amongst them to find out how to do it better.

This is very much a process. After all, this was never going to be the kind of definitive report with all the answers that one might have tried to get if everyone had been sat around the table. That would have been a different exercise. We went for the dynamic approach of addressing resource, commitment and support, and mechanisms for making things happen.

Elizabeth Smith: If it is a dynamic exercise, I would have thought that one of the key ways to retain competitiveness in the economy and university sector at the moment would be to boost the link with business. My point was that it would have been helpful to bring in some solid expertise right across the board on that economic basis to give a dynamic edge to the process. I think that you referred to that implicitly in your earlier comments. Are all the university principals happy with the representation on the task force?

Sir Muir Russell: In terms of membership, the timeframe, the direct relationship that they and the funding council will have and the opportunities to influence policy content, I think that the answer is yes. That does not mean that there are people who want to exclude contact with trade unions, students or business—quite the reverse. However, it was a particular exercise about resourcing, commitment, support from Government and ways of taking those forward.

Mary Senior: I do not want to appear to be carping from the side, but from some of the recent comments that we have seen in the press, it is clear that not all university principals are happy with the way that we are going. Elizabeth Smith is absolutely right to ask what sort of framework will come out of the task force. We in the trade unions were not that surprised by the results of the task force's work, which very much reflected the membership of the group. Including business interests, staff and students would have given a different flavour.

I am sure that my colleagues share the view that, although the Government's economic strategy is an important driver, there should be a careful balance between that and the broad activity that comes out of our universities that also contributes significantly to public policy making and to the social and cultural aspects of Scotland, which are all absolutely vital. That could have come out of the process to a much greater extent if a broader group of organisations had been represented around the table.

David Caldwell: I do not share Mary Senior's view that there are widespread differences of opinion on the issue. It is important to be clear about what we understand. The task force report makes it clear early on that the purpose of the Government and the purpose of universities are not entirely congruent: universities have their own purpose, vision and mission. The report also makes it clear that what universities do is enormously important in contributing to the Government fulfilling its purpose. That is the spirit—that the things that they are doing are very important—in which the principals of all the universities are happy to sign up to the report. They also accept, of course, that they have to be fully accountable for the use that they make of the public funding that is received from the Scottish Government and demonstrate that they are producing real public benefit that takes account of Government priorities.

You must remember that less than half of the sector's income comes from the Scottish Government; a lot of money comes from other sources. The accountability for those other streams of money is different. There is accountability and appropriate recognition of

Government priorities, but the best judge of how to make the most efficient and effective use of the resources provided is, by and large, the universities being in dialogue with the key partners, including the business and industry community, the staff and students and, indeed, many others.

We should not lose the point that there is not a complete identity of purpose—and it would be inappropriate if there were—between Government and universities. Universities have a distinctive mission, which is the discovery and dissemination of knowledge and truth. That happens to be a very important objective and fulfilling it makes an extremely important contribution to helping the Government achieve its purpose. We must maintain that important distinction.

10:30

The Convener: When the task force was established, there appeared to be some confusion about its objective. The Government seemed to suggest that it followed on from the outcome of the comprehensive spending review, and that consideration would be given to having a large-scale review of the sector. However, some university principals seemed to suggest that in fact the task force would consider existing resources and how they could best be used. In your view, what was the objective of the task force? What problems did you consider as part of your deliberations in relation to the remit?

Sir Muir Russell: You are right that the discussions that led to the task force started out of disappointment with the comprehensive spending review settlement: we said as much in November 2007. We agreed that we should get together with the cabinet secretary to discuss the way forward and to create a framework within which we could address resource issues.

The third point in the remit is about the resources that will be needed and how they will be provided, which is not just about reprioritising within existing resources. The issues for the next spending review will be whether we have the right dialogue that leads to a decision that we are more comfortable with, and where the resources will come from, recognising all the issues around that for the Scottish Government and all the different funding sources. The question is how we get there. That is why the remit refers to considering what the universities will be capable of contributing to Scotland over 20 years, which is a reasonable timeframe when we consider the sorts of things that universities do and other work on demographics and so on. We are beginning to look forward. You can see from the front end of the report the way in which it tries to consider some of the trends and requirements and to

identify the opportunities and barriers. That thinking is what led to the phraseology in the remit.

To return to your question, in my mind and in the minds of university colleagues, the point is to set up a process by which we will have a better chance of convincing the cabinet secretary, her colleagues in the Scottish Government and those who advise her that we have a good case for additional resources, and that if we do the things that we have said we want to develop, it will be good for Scotland and will contribute to the range of objectives that underlie today's discussion about the universities, knowledge, and truth and society. The enlightenment of Scotland is a phrase that I rather pompously use from time to time, but that is what we are for—that is where we started.

The Convener: The universities seemed to make a pretty convincing case for more funding from the Scottish Government. Unfortunately, their requests fell on closed ears. What has the task force added to ensure that requests will be responded to in the next comprehensive spending review?

Sir Muir Russell: In the rather lengthy first section of the report, the task force added a clear understanding of what universities do now. We did not want to be smug about that, so we also added a set of aspirations—things that we would do better, differently or more of in relation to a whole range of performance issues. We added the commitment in sections 1 and 2 about maintaining funding comparability with south of the border and maintaining international competitiveness through the funding that we receive to support what we do. Those things come directly down the line of resource. The task force put them in the wider context of our relationships and discussions with Government and the contribution that we make to Scottish society in the widest sense. There is a lot that goes into the broader penumbra around the purpose statements and the points that David Caldwell made about truth, knowledge, enlightenment and creativity. We then moved into some more mechanistic but extremely important questions about how that happens, which involves relationships with the funding council, its role, the touch with which it funds us and the objectives that it has and is given. That was the progression, starting from the resource issue.

I plug the bits of paragraphs 1.16 and 2.52 of the report that refer to comparability of resources. Some of the question and answer material at the back of the final report brings out how that comparability will work. The tripartite group will assemble all the evidence about what the universities do and the contribution that they make to be absolutely clear that a case like the one that we made in November 2007 cannot be ignored in future. We will examine the resource requirements

for that and compare them with the resources that the competition has and what it is doing with them. The RAE provides increasing evidence of how to build on strengths when resources are available. The framework that comes out of the task force's work will enable us to do that. It goes right back to November 2007 and the disappointment at the comprehensive spending review outcome.

The Convener: You are obviously looking for comparability with universities south of the border. However, I assume that, as well as wanting to be able to compete with them, you want to excel and even offer a better product than is on offer in other parts of the United Kingdom. Are you considering that as well?

Sir Muir Russell: Yes. We believe that the sector does extremely well in comparison with many of the universities south of the border. We have made the point—I hope that people are not tired of hearing it—that three Scottish universities are in the top 100 in the world. We have made the point that the RAE recently demonstrated that an increasing share of the best research is being done in Scotland and that all the different universities here do extremely high-quality, excellent work. We are aware not only of Scotland's attractiveness to international academics and students but of the importance of being international, so that our students also have an international experience. It all comes together.

Those are our aspirations. When, in future, we tell the cabinet secretary and Government what we do, what we bring to Scotland, how we help, and how we add reputation and value, those aspirations will be included. There is a bit of a take-home message about not taking us for granted. At any point in time, somebody could look at the RAE results and say, "That is fantastic—best of breed in a number of things," but the RAE is not static. One tends to think that it comes every seven years, but the next one is running now, because it is based on a rolling review of citations, so all the competition is sitting there straight away. We do not have the luxury of hanging about and saying that we will get back on the case some time in the future.

You might be interested in what domestic and international student application flows look like at a time when demographics might be about to go against us and the credit crunch is raising some questions. We must all work extremely hard at our product, our recruitment, our people and our resources, and we must do so now.

David Caldwell: Universities are highly competitive institutions, so of course the Scottish universities aspire to be better than all the rest. We focus on comparability not because we want everybody to be at the same level, but because we want the competition to be fair. We want to

ensure that the income base from which Scottish universities benefit is broadly comparable with that of our nearest neighbours and most immediate competitors, which are the English universities. We want to compete with them on an equal basis. That is why the commitment to maintain broad comparability between the overall funding base of our universities and those of universities in the rest of the UK is one of the key findings in the task force's report, and a most welcome one.

Claire Baker (Mid Scotland and Fife) (Lab): The convener mentioned the task force's remit, the final point of which is to consider

"what resources will be needed and how they will be provided."

The list of "Challenges from Universities Scotland" in the report identifies the resources that will be required. David Caldwell talked about comparability within the UK, but there seems to be a gap between the remit and what the task force produced. The remit suggested that the task force would consider how universities could be funded in the next 20 years. We have already noted that the task force arose from concern about the previous comprehensive spending review. Did the task force respond to the challenge? It certainly identified the challenges that exist, but to what extent did it discuss comparability and consider how the required funding would be provided?

Sir Muir Russell: The answer is to do with process. It is about the work that we are doing and the work that the economists and statisticians in the Scottish Government are doing to consider the evidence that can be assembled about what we need to do and what it would cost. The task force was not a construct by which we could set out a definitive formula and say, "That's how we price it for the next 20 years, and those are the resources that will have to be found," because it is difficult and time consuming to do that, and also because, as David Caldwell explained, we are always looking at a moving target, as our competitors move in particular ways.

I do not think that I ever aspired to come out of the process with a priced menu. What we have come out with is a process whereby we will be able to have discussions that we could not have before. In 2007, we provided our submission and people made of it what they did. Now, we have the opportunity to discuss our submission with the cabinet secretary and the chance to meet the whole Cabinet at least once a year. In addition, I hope to engage with the Council of Economic Advisers. We can do those things in order to get the discussions going.

The task force did not lead to definitive numbers, but the commitments are important. If they are not honoured, we will at least have the evidence to

demonstrate what they amounted to and where any shortfalls occurred. The work has not produced a definitive answer, but it is valuable. I think that we all accept that it would not have been possible to produce a definitive answer in the framework within which we operated. The way in which Government does its spending reviews would not have allowed us to reach that point in 2008.

If we consider the numbers that are coming out for 2009-10, the Higher Education Funding Council for England has stated explicitly in its letters that it is not giving numbers for 2010-11 because they have not been decided yet. The timeframe for these things is very constrained.

John F McClelland: This might be an obvious point, but if you do not mind, I will restate it. The mechanisms of the tripartite group and the process of ensuring broad comparability with the rest of the UK have filled a vacuum that existed previously. To have agreed on those measures or mechanisms is a major step forward, because they will take us away from the traditional process of bid and response. I repeat Sir Muir Russell's point that there is now a lot of work to be done to create the detail of those mechanisms so that we have something to lean on and use in the future when we look at spending reviews.

10:45

Claire Baker: I accept that there has been a step forward, but the criticism is that it is a very small step in response to the situation in which Scottish universities find themselves. I was not suggesting that there should be a price list, but a serious look is needed at how Scottish universities will fund themselves in the long term. The reason that has been given so far for not having a more in-depth study is that we wanted something that we could turn around quickly. However, what we have is something quick that does not deliver any answers.

The recently published report of the Scottish Council of Economic Advisers states in its section on universities and higher education:

"squaring the budgetary circle of higher participation, higher levels and higher quality is very challenging."

That is the challenge—how do we bring increased resources into Scottish universities? I am interested in whether the task force concluded that that should happen solely through public resources.

The Universities Scotland comprehensive spending review submission pointed out that through the £168 million of public funding, universities could draw in much more external money. Did you discuss where future resources for Scottish universities would come from? Was

the task force exercise designed mainly to call for greater public investment? Did you discuss the levels of public investment that will be needed such that consideration of other options will not be required?

David Caldwell: There was no detailed discussion around that point because the Government made it clear that certain forms of income—specifically, tuition fees—were not an option for consideration.

I return to my point that we have a very important in-principle commitment to maintain the income base of Scottish universities at a level that is broadly comparable with the income base of universities in the rest of the UK. If that can be done from public funds—and that is the nature of the Government's current commitment—that is fine. The universities will certainly not complain about that. We appreciate that there are significant strains on public funding, and that they have become more severe in the past 12 months. We know that there are many competing demands for public funds and that it is increasingly difficult for Government to find all the money to support the kind of higher education system that is needed to support a modern economy. Perhaps that is the fundamental point. Having an advanced knowledge-based economy depends on investing in universities, because universities produce the key things that an advanced knowledge-based economy needs—graduates and postgraduates with the highest level of skills and the research and science base that encourages innovation and creativity and the formation of new businesses.

The formation of new businesses is particularly critical now. In the economic crisis that we face, the one thing that we can predict is that when recovery eventually comes—as it will—the economy will not look the same as it did before the crisis struck. It will depend on a lot of new businesses being created. What is difficult to predict is exactly what shape the new economy will be. However, the fundamental point is that you need adaptable, creative graduates who have the highest levels of skills. Scotland cannot afford not to have an internationally competitive university sector—it has to be funded. If the Government is able to honour its existing commitment to ensure that a competitive system is funded to a large extent out of public money, that is fine. However, if the strains on public spending mean that it finds that it is not able to provide all that is required from public funding, we will have to look for alternatives.

Claire Baker: You said that there is a commitment from the Government to ensure that the Scottish universities remain comparable. In the final report, the Scottish Government challenges the universities to prove that they contribute towards the Government's programme and

purpose, to make learning more flexible and to contribute directly to a world-class knowledge economy. Those challenges are followed by challenges from Universities Scotland, which concentrate on funding levels and the commitment from the Government. Perhaps I have missed it, but I do not see a section in the report in which the Government gives a commitment to meet Universities Scotland's challenges. At this stage, there appear simply to be two sets of challenges.

Sir Muir Russell: Paragraph 2.52 says:

"Taskforce members agree that the overall funding for the sector has to be competitive ... We also believe we need to put in place arrangements in which the university sector will ... be properly supported in the future."

It goes on to say:

"Within the context of that model, the Scottish Government investment in learning and teaching, research and knowledge exchange activities should maintain broad overall comparability with the rest of the UK."

The report has the cabinet secretary's signature on it, so we are saying that that is the commitment.

We were also invited to put on the table some higher and more aspirational challenges, and we chose participation and funding levels. Those are the challenges at the end of the report. There is something similar in paragraph 1.16. However, paragraph 2.52 is the one that we say represents the commitment.

In the Q and A section at the back of the report—which I think is in annex C of the committee's briefing—there is the question:

"When receiving advice on 'broad comparability', what will be the basis of comparison?"

In the answer, you can see the things that David Caldwell has mentioned, for example:

"the Scottish Government expects the advice to be based on the overall funding package, namely both SFC grant and tuition fee income."

That is an attempt to take the broad view of the issue. We—by which I mean not just the people who are gathered in front of you and a few others who signed the report—believe that the report represents a serious set of steps forward.

We have compared what we have with the English funding, which includes the highly contentious element of fees. Cabinet secretaries do not sign things unless Cabinets support them—that was certainly the doctrine when I was young—so we regard the report as a clear and bankable assurance. In that context, we are hopeful that we will be able to cash in the framework that we have created at the appropriate moment, which is in the next and future spending rounds. That cannot be done in the middle of spending rounds, when, as we all know, the

resource constraints are tight—the money is locked up.

Claire Baker: That is helpful. My concern is that apart from the references to the comprehensive spending review, the document does not deliver a road map to a vision of Scottish universities in 20 years' time. There is a tripartite group that will discuss the issues, but there is no clear answer about how we can remain competitive within the UK and internationally, which is a big challenge.

You mentioned the different funding model down south. Although there is debate about whether that is the right way to go, it is bringing in greater sums of money than we are bringing in in Scotland. As David Caldwell pointed out, it is a real challenge for the Scottish Government to match those funding levels from the public pot, given our current economic situation.

Sir Muir Russell: John McClelland will want to say a word about the specifics, but the road map exists, and it addresses unashamedly the things that we believe we do well and the things that we believe we can do better. For example, there is our attractiveness to students; our student experience; our international experience; our research and the way in which we get it into the economy; the way in which we address issues of equality and diversity; the working conditions that we provide for our staff; how we turn out students who are professionally qualified, highly employable and entrepreneurial; and the way in which we engage with philanthropy, on which there are many challenges for the Government.

Scotland is now the only part of the country that does not have a scheme to stimulate philanthropy—England and Wales both have one. We are working hard on employability with Government support, which is great. A lot is happening to move us through a clear road map that stands up well to UK and international scrutiny and leads to the sorts of universities that we want to have.

We are increasingly seeing that projecting that image out there with a lot of support from Government is working for us, which is why being the seventh key economic sector is important, because it locks into Scottish Development International and other ways of getting support. So, with respect, I challenge the notion that there is no road map. There is, and the funding council is looking to it in its role as an agent of change in stimulating good initiatives. What we are seeing from the funding council is already taking us down those lines.

John F McClelland: As I said earlier, the work that is being done will include the transition year of 2009-10, which will start to move us towards some of the new arrangements for funding at the highest

level and for the detailed operations of the funding council. In relation to those detailed operations, we agreed as part of the task force follow up that, particularly for the coming year, 11 per cent of the funds that are available to the funding council will be spent in areas that are consistent with those that Sir Muir described—programmes and initiatives that create common characteristics across the sector—rather than on striving to make every higher education institution exactly the same as the next one.

The task force recognised the diversity of and the specialisms within individual institutions. Clearly, every institution in Scotland has a vision of how it will look next year and throughout the next decade at least. Each institution has its own mission. As a follow on to the task force's work, we seek to prepare programmes and offer encouragement to individual institutions to adopt the common characteristics, particularly in the areas of improving employability and skills; improving access and progression; encouraging knowledge innovation and transfer, especially to small and medium-sized enterprises; and encouraging collaboration across institutions. Collaboration might start slowly, but there are areas in which institutions can collaborate and share best practice and single activities while maintaining their autonomy, so that we get some economies and efficiencies over and above those that we have already achieved.

Detailed programmes will unfold in the next few years and will be added to over the years, so that there is a constant element of innovation and progression that will match the aspirations of individual institutions and the sector.

Claire Baker: The interim report was published in June, and the final report was published towards the end of October. I could not see much difference between the two reports, but there was an additional Scottish funding council document and a report from the stakeholders' event with the later report. The final report also came out a bit later than expected. What were the reasons for the delay? Did any issues provoke particular debate among the task force members?

11:00

Sir Muir Russell: I suspect that the reason for the delay was diaries rather than any kind of barney about what the initial draft said or the extent to which the stakeholder event influenced the final report, given that the record of the event was being stood up beside the report. Scottish funding council colleagues also had to do a good deal of work to produce their piece of the jigsaw, which was the statement about the issues that John McClelland's last comments covered. The delay was just about getting that done between—

when was it? Was it August that we held the event at Glasgow Caledonian University?

David Caldwell: Yes, and then there was a task force meeting in late September. Actually, the gap between the task force's final meeting and the publication of the report was not all that long. It is not particularly abnormal for there to be a gap of less than two months between a task force's final meeting and publication of its report, because there is a bit of writing up to do.

The point about the small difference between the interim report and the final report is interesting. The true explanation for that is that, at the big event in August, there were no significant criticisms of the content of the report. There were inevitably criticisms, but they came from both directions and were not radical. Therefore, when the task force met again, it was essentially able to confirm the bulk of the main report. There was an absolute commitment to take on board points that were made at the event in August, but there were no substantial proposals to amend the report.

The funding council's paper on how it would operationalise the structure of the new funds was new, and we discussed it in detail, because it was an important document, and everyone was content with the final version as published. The concept of the horizon fund was extremely important for us. The concept is that we should have the capacity to undertake exciting new initiatives that will make real contributions to Scotland's future prosperity and that such new initiatives should be accompanied by the resources that are necessary to support them.

Mary Senior: I will respond to some of the things that David Caldwell, the convener and Claire Baker have said.

One of the STUC's concerns is that there are no significant differences between the final report from November and the one from June, yet there are still many unanswered questions. Trade unions regarded the task force's work as the right opportunity to consider in detail the way forward for Scottish universities. The STUC fully supports Universities Scotland's desire for a well-funded sector that reaches for excellence, and is fully behind David Caldwell's comments on the difference that university education, particularly postgraduate education, makes to people. More could have been said on accessibility, such as how we enable people who are currently in the workplace to access learning and how we fund or support part-time students. Many issues could have been discussed.

The consultation event came about from a discussion at the round-table meeting for further and higher education in March last year, when my colleague David Bleiman asked for such an event

to take place. We were pleased that it did, but it was the trade unions that asked for it to happen. One issue that we asked to be clarified at the event was the change in the nature of the Scottish funding council that the June report seemed to suggest. We had real concerns about what was meant by

“a new ‘lighter touch’ approach”

for the funding council. We support the council’s statutory role and value our good relationship with it. Its ability to consult stakeholders is important, and we are pleased that that is taking effect.

David Caldwell is right that there is support for considering the sector’s future, but I do not think that there was quite as much agreement at the Glasgow Caledonian University event in August as he suggested.

Margaret Smith (Edinburgh West) (LD): John McClelland spoke about the importance of widening access, progression, employability and reskilling. Scotland’s colleges are a key stakeholder and have not been involved in the process as much as they might have been. We are talking about widening access, and the college sector is one route by which people go into higher education, universities and collaboration with universities. The sector has a relationship with the Scottish funding council, so how would changes in the funding council’s approach—taking a light touch or otherwise—impact on colleges? If changes would have a direct impact on colleges, why did the colleges have a lesser right than the university sector to be involved in the process?

We are talking about knowledge, truth, people learning, widening access and reskilling the workforce in the face of the economic downturn. Surely Scotland’s colleges have a voice that should be heard not only as an afterthought at a stakeholder meeting. I hear what Mary Senior is saying—she does not want to be at the sidelines carping—but if people are involved in a process from the start, they do not have to stand on the sidelines carping.

John F McClelland: As you will be aware, the funding council has a double remit: it deals with colleges and higher education institutions. In the past year or so, a review of Scotland’s colleges has taken place. The review did not completely overlap with the work of the task force, but some of its key elements were consistent with the task force’s work. In particular, I refer to the significant contribution that colleges make to our economy, particularly in the communities in which they operate.

Immediately following the task force’s report, the cabinet secretary and I met senior level representatives of Scotland’s colleges and discussed with them the opportunities and

potential implications for the colleges of the task force’s work and findings, which fell into two categories. Progression and articulation arrangements for people going from colleges to HEIs clearly have a corollary effect on what happens in colleges, so we agreed that specific projects would be conducted and consultation would take place with our colleges on developing articulation and progression mechanisms.

The fact that some of the task force’s findings—on, for example, the theme and principle of taking a lighter touch—might also apply to colleges was also discussed. It is clear that the legislative environments for colleges and HEIs are somewhat different, but some of the task force’s findings could also apply to colleges. Therefore, we have included in the funding council’s corporate plan and its more detailed operating plan an assignment to work even more closely with colleges to determine and establish which elements of the task force’s findings for HEIs, if any, also apply to the college sector, perhaps not in exactly the same way but in a similar way.

We have not forgotten about the colleges. We plan to work with them, although perhaps not at the same comprehensive level, to establish in detail how the horizons task force affects them and to establish which key elements of the work that was conducted with HEIs could apply to the college sector.

David Caldwell: The simple answer to why colleges were not involved in the task force is that, as has been said, the task force had its origins in the outcome of last year’s spending review. The universities indicated publicly that they were disappointed by the outcome of the review, whereas the colleges indicated publicly that they were fairly satisfied with it, so the cabinet secretary offered to set up the joint task force between the Government and the universities to address our serious concerns.

I make the important qualification that we feel that the links with the colleges are enormously important. We work with them all the time, and I pay tribute to the huge assistance that they give us in allowing access for people who could otherwise not aspire to degree education. There is no doubt that the colleges take in people who lack the necessary entry qualifications for university and bring them up to a level at which they can gain entry and that, as a result, more people graduate with first degrees than would otherwise be the case. It is hugely important that we continue to engage with the colleges on those and a range of other issues.

Just last week, Sir Muir Russell’s successor as convener of Universities Scotland, Anton Muscatelli, vice-convener Bernard King and I had a lengthy meeting with all the college principals at

which we talked about the various areas of engagement. Mary Senior drew attention to a number of issues with which the task force did not deal. I accept absolutely that the task force had a limited remit and that its report addresses only certain issues, although they are pretty important. We regard it as extremely important that we engage with the key partners and stakeholders, which certainly include colleges as well as the staff and student communities, on those other issues.

Margaret Smith: You suggest that the reason for setting up the task force was not to find a better way forward for higher education in Scotland per se; it was a short-term sticking plaster to deal with the fact that the Scottish Government had not satisfied Universities Scotland in a particular comprehensive spending review. That is not the first time that I have heard the suggestion—indeed, I have made it myself—but what the task force has produced, and what was billed as coming from it, certainly by the Scottish Government, is a lot more than just a short-term response to a particular funding issue.

I do not disagree that funding was important—I guess that most of us round the table would say the same—but you have said nothing about why we have only a tripartite advisory committee on issues such as funding and comparability, despite the synergies with Scotland's colleges and the fact that they face the same issues on funding and other matters, and despite the need for closer collaboration in the current economic situation. You have not said why there is no place at the table for Scotland's colleges even though, on the face of it, the colleges would seem to have many of the same issues to discuss. The fact that the colleges were happy with their money and you were not should not be the basis of the structure for discussing the future of higher education in Scotland.

David Caldwell: I would put a slightly different interpretation on the origins of the task force. I agree that it was created because of concern about the outcome of the 2007 spending review, but that did not indicate that we were looking for a quick sticking plaster.

Margaret Smith: I did not say that you were looking for a sticking plaster.

11:15

David Caldwell: The situation was rather the reverse. Universities in Scotland are strong, robust, well-managed and well-governed institutions. One disappointing spending review will not undermine 600 years of history, but it would be worrying if a trend was established and there was a steady erosion of the funding base of Scottish universities, which would reduce their

competitiveness. That is why we wanted an urgent engagement with Government. We wanted better mutual understanding of what universities already do to meet Scotland's needs and what they are capable of doing in the future.

We set our target of where we should be in the Organisation for Economic Co-operation and Development's rankings for 2028 because we will not get there immediately. That brings us back to Sir Muir Russell's point about the road map. There is no precise satellite navigation route of how to get there, but we are setting a clear direction for where we need to be in 20 years' time, which must inform successive spending reviews. That is what we are trying to achieve.

We did not expect an immediate sticking-plaster solution. We know that, once a spending review outcome has been declared, there is limited flexibility during the remainder of the spending review period, although we might be fortunate and get a bit of extra funding. We were pleased that the Cabinet Secretary for Education and Lifelong Learning did, indeed, quickly find a small amount of extra funding for the universities, but that was not our primary interest, which was to have a serious dialogue with Government about the contribution that universities could make and the resources required to enable them to do that. That is not for the benefit of the universities themselves; it is for the purpose of enabling them to deliver real, public benefit for Scotland.

Margaret Smith: Just to clarify, I did not think that you were necessarily the beneficiary of the sticking plaster quite as much as the Government was.

The proposed tripartite advisory group is expected to consider funding arrangements, a lighter-touch approach, the level of public investment in learning, teaching, research and knowledge exchange, and strategic outputs and outcomes that the Scottish funding council should monitor. I would be interested to hear why Mr McClelland, for example, thinks that any or all those things do not apply almost equally to Scotland's colleges, looking forward rather than backwards.

John F McClelland: Agreement on the horizon fund for universities and the general fund for universities was reached through the horizon task force. An equivalent agreement does not currently exist for our colleges, but one of the projects to which I referred earlier has been assigned consideration of that. I envisage the proposed tripartite advisory group's advice being associated with a number of principles, including how much funding would be for initiatives, developments and the future, and how much would be in the general fund, which is more a formula-driven, day-to-day fund.

The areas on which the task force agreed the tripartite group would give advice do not apply to our colleges. It could be argued that a couple of more general areas, such as overall levels of funding, apply to colleges, but that is not the case with the task force's more detailed work, on which it concluded the tripartite group should provide advice to the Scottish funding council.

Kenneth Gibson (Cunninghame North) (SNP): The discussion has been fascinating. It is a remarkable testament to the strength of Scotland's university sector that, for the quality of our research, we rank second in the world only to, I believe, Switzerland, another small European country. The sector must be commended for that remarkable achievement but, as has been said, there is an issue of low-performance equilibrium in terms of the economy, which is touched on in paragraph 2.12 of the "New Horizons" report.

In a previous evidence session, Skills Development Scotland expressed concerns about how to sustain economic growth and ensure greater prosperity for Scotland. We do not seem to be able to translate our excellence in research and academic attainment into productivity. The level of capital formation and investment in Scotland is an issue, although I do not believe that it was touched on in your report. How can we narrow the gap between the excellence of our academic attainment and the level of our productivity?

Paragraph 2.57 of the report says:

"In terms of employers, the Scottish Government does not have at its disposal the full range of economic powers it would need to properly incentivise an indigenous micro, small and medium sized business base to develop financial relationships with universities. Tax breaks for employers wishing to collaborate with universities, where they exist, are developed at a UK level and often fail to take account fully of Scottish situations and circumstances. This is one of the obstacles that prevents deeper engagement between universities and employers."

Is part of the gap that I mentioned explained by paragraph 2.57? If so, what relationship do you have with the UK Government, perhaps via the Scotland Office, to address the issues?

Sir Muir Russell: As I think I said to Elizabeth Smith, we can be dominated by spin-outs, intellectual property and knowledge transfer, but we have also to produce graduates who meet the highest professional standards, who understand what it is that makes them employable, and who are entrepreneurial in their approach to business and to their lives. We must be able to engage with professional institutes, councils and standards bodies of various kinds—the number of such bodies that will interact with a university such as Edinburgh, Glasgow or Aberdeen is huge.

We are always trying to produce people of the highest quality and of the greatest utility—if you

like—to the economy in the professional sense. As David Caldwell said, we are trying to produce people who are flexible, have an inquiring mind and are not fazed by difficulties or changes in career direction. My generation thought that they knew what they might be doing 40 years on, but that is not the world that we live in now. We are trying to include a raft of things in the early experience of our undergraduates, which is part of our effort to create the seedbed in which productivity can be improved. Investment and other facets of Government policy can stimulate that.

The economy is changing, and lifelong learning is a real concept. People must be able to come back, develop and do something different, and we have to be able to provide such opportunities. One way in which we are trying to do that is by giving people the chance to do postgraduate qualifications and masters degrees that take people's experience, focus it and reposition it, taking into account what they now know about themselves and about the world in which they want to work and in which they will be able to contribute effectively in future. We have to be flexible and open to the ideas of lifelong learning.

I have given a couple of examples of the things that we can do, in our traditional roles, to contribute to productivity. A third one relates back to what we were discussing with Margaret Smith. We have to give more people the opportunity to come through—through the articulation processes that we have spoken about. There is a long story about that, and a long story about widening access and participation. We work hard at that.

I have been speaking in terms of supplying the people who will make the economy more productive. We have to create the right conditions for people who are entrepreneurial and inventive, so that they can transfer their knowledge and get out there to set up companies and employ people.

That is the general construct in which the universities have a history of making a contribution. The report recognises that, which is good, but it also lays down a challenge to do more of it, and the funding arrangements that we have talked about—the guidance for the funding council and the creation of the separate funds—are all concerned with those issues. They are at the forefront of the minds of colleagues in the funding council, in relation to the way in which the horizon fund in particular is used to try to pull things forward.

I do not have a lot to say about tax breaks. My position is that we work within the tax law, and I am not aware that any representations have been made to Her Majesty's Treasury in the past few years on behalf of my university—or Universities Scotland, although David Caldwell might want to

kick my ankle—to ask that particular details of the tax law are changed. I am afraid that I am blanking on that one—I know what it says in paragraph 2.57, but I cannot give you any specifics.

David Caldwell: We liaise with the Scotland Office because, although the fact that higher education is largely devolved means that that is less important for us than liaising with the Scottish Government, UK arrangements impact on some of our activities. With regard to tax breaks, we cannot expect different arrangements from those in the rest of the UK to be made in Scotland in the case of reserved powers. We must be realistic about that.

I will briefly add to what Sir Muir Russell said about the people, because it is an important point. I do not necessarily endorse all the recommendations in the Leitch report, nor do I necessarily think that they apply equally in Scotland and in England, but the report contained some valuable analysis and evidence to support its conclusions.

Some of the interesting pieces of evidence that Leitch produced are: that increasing the number of graduates drives increased productivity in an economy; that it is graduates in the workforce who are responsible for increases in productivity; and that increasing the number of those who have sub-degree or lesser qualifications does not have a significant effect on productivity, whereas increasing the proportion of graduates in the workforce does.

That is significant because it is an area in which the UK does not, in general, do particularly well. In the UK as a whole, and in Scotland, graduates make up just under 20 per cent of the workforce. That figure compares poorly with our main European competitors, for example, whose productivity is generally better than ours. That is yet another reason why investment in universities is important and why the dialogue that is sometimes heard about there being too many graduates is sadly mistaken. The truth is that we do not yet have enough graduates in our workforce—if we had more, it would almost certainly improve our productivity.

John F McClelland: The knowledge exchange and transfer that we talked about earlier is a challenge in Scotland and in the UK as a whole, and although much has been done in the past, there is more to be done in the future. That should include promoting and encouraging industry to take more interest in seeking out not only graduates but the knowledge that exists in our universities and our colleges.

In the coming year, the funding council will ensure that universities receive at least some base level of investment to provide resources for the

transfer of knowledge to industry, in addition to the steps that have already been taken to fund such resources for every college.

In addition, we will spend between £25 million and £30 million—the budgets are not finalised—on initiative and development funding to continue to encourage, and to add to the encouragement of, programmes and initiatives to support knowledge transfer into commerce and industry. They are very important, as they enable us to take better advantage of the excellence in teaching and research in our universities. We believe that over time we can make a significant difference to the economy of Scotland by being even better at such knowledge transfer than we have been in the past.

11:30

Kenneth Gibson: I am quite disappointed in some of your responses. We all accept that the more graduates there are in the economy, the better that is for the economy. There is no doubt about that. I worked for British Steel in the early 1980s, when it had a policy of significant graduate recruitment, which it had not had before. However, because the company did not invest in plant and machinery, it was still unable to compete globally and it went out of business, by and large, in Scotland. A combination of factors is involved.

One important point that you touched on is knowledge transfer. Under Scottish funding council circular 10/2008, the budget for knowledge transfer rose by 20 per cent in the current financial year. That shows the Scottish Government's commitment, despite a tight financial settlement.

As I said, I am quite disappointed with some of your answers; that is, in part, because of the point that you have included at paragraph 2.57 of your report. Earlier, Liz Smith initiated a discussion about the relationship between small and medium-sized businesses. Your report points out that there is a bottleneck. You say that you spend most of your time talking to the Scottish Government, that you do not talk a lot to the UK Government and that you do not expect Scotland to have different tax powers. In that case, what do you expect to be done about the obstacle that you describe in paragraph 2.57, if it is holding back growth and productivity, not improving the relationship between universities and the Scottish economy and, ultimately, not increasing prosperity?

David Caldwell: I will give one example of something that could be done; we have made this suggestion in the past to the Government and to Scottish Enterprise. One effective way of achieving engagement between the academic community and the business community is a device called a knowledge transfer partnership, which places a graduate in a business and often

generates substantial improvements in business practice and productivity. Such partnerships have a tremendous record. There would be nothing to prevent us from adding to a UK scheme a Scottish scheme that would enable us to support more businesses in that way. The investment of a certain amount of public resource from Scotland would be required; if Scotland were to have such a scheme, Scotland would have to foot the bill. Opportunities are open to us. That scheme has been discussed in the past and real interest has been shown in it, but so far it has not happened. If it happened, universities would welcome it.

We are open to continuing dialogue with the Government and Scottish Enterprise to explore other mechanisms through which we can do the same thing. We welcome the fact that the universities have been recognised as the seventh key economic sector in Scotland, because that enables us to have a closer relationship with Scottish Enterprise. Universities are important businesses in their own right, which can make a larger contribution. We can engage with Scottish Enterprise on a variety of topics, including how we engage with the other key industries and ensure that they have the support they need.

Sir Muir Russell: I have one little point on paragraph 2.57 of the report. Kenny Gibson said that we had introduced that point as a university complaint or plea, but it is very much a point on the Government's agenda in relation to the matters that the task force might want to see followed up. It is one of the matters that I assume would be followed up rather more Government to Government than university to Government, in respect of us going to the south. Paragraph 2.57 is really a Government paragraph.

Kenneth Gibson: Yes, I am sure that they have their own relationships. I had assumed that because the report was agreed jointly, paragraph 2.57 was the voice of the university sector as well as of the Scottish Government.

Mary Senior: Many of your questions relate to some of the work that Fiona Hyslop is pursuing. The Scottish funding council and the STUC are certainly involved in the work on skills utilisation and on examining what is preventing the development of productivity, given that we have decent skill levels in the Scottish workforce, and how we can make progress on that. There are positive examples of trade union learning and extremely positive partnerships between employers, trade unions, colleges and universities to upskill the workforce and enable it to access learning. Scottish Government funding plays an important role in relation to individual learning accounts, although we have some concerns about income thresholds for ILAs. As my colleague said, there are levers that the Scottish Government can

use to enthruse businesses to get into the learning agenda and to develop relationships with institutions.

The Convener: Three members have supplementaries. I will let all three of you in, but you can have only one question each, which must be short. I ask the panellists to keep their answers short, too, as other members of the committee have substantial lines of questioning that they still want to pursue. I am conscious that the panel has already been with us for an hour and a half and that we have another agenda item to consider.

Elizabeth Smith: David Caldwell set out the important case for qualitative improvement in Scottish universities and your desire to widen access. Do you believe that that is possible within the present structure, given that the Government has ruled out certain alternative sources of finance?

Sir Muir Russell: Widening access by ensuring that people who have the ability to profit from a university education get the chance to go to university and are not deterred by social, educational or other circumstances is certainly vital. We all seek to widen access. There are schemes, projects and partnerships in all the universities that have that aim. We should continue to widen access and must not allow finance—regardless of how universities are financed in the future—to be a disincentive to doing so. In general, Scottish universities have quite a good record on widening access. I used to claim that the University of Glasgow was the best of the Russell group in that regard, until Queen's University Belfast joined it.

We work hard at widening access, we have staff dedicated to it, we do it well and we are proud of what we do. We can continue to do such work. In a sense, that sort of stuff is priced into the trajectory of the road map. I will never accept that widening access damages quality. We are talking about finding people who, for various reasons, might have been deterred from pursuing their education or might not have been given the chance to do so; when they come to university, they can be amazingly good people. There is a lot of evidence that people who enter university as a result of widening access schemes perform extremely well. The summer school people who go to the University of Glasgow do very well, for example.

Claire Baker: I have a difficulty with paragraph 2.57, which the panel has said that it assumes is a Government paragraph. When I asked where there was evidence of the Government's commitment to keeping public investment in Scottish universities comparable with investment in universities in the rest of the UK, I was pointed to paragraph 2.52, but how do I know that that is

not a Universities Scotland paragraph? I was told that the document had been signed up to by equal partners, but the suggestion has now been made that paragraph 2.57 does not really reflect the concerns of universities—

Sir Muir Russell: I did not say that.

Claire Baker:—and that it is a Government paragraph.

Sir Muir Russell: I said that it was for the Scottish Government to follow up that part of the agenda with the Government in London. In my first response, I said explicitly that that was not something that we were talking to the Treasury about. I was trying to clarify that I saw that as an issue that should be pursued Government to Government.

Claire Baker: Kenny Gibson said that he was disappointed by the panel's response to his question and that there was not whole-hearted support for the comments in that paragraph. Is that because you have not engaged with what is in the paragraph or because you do not support it?

David Caldwell: The report is a joint report and we go along with what is in it. That paragraph was probably drafted by the Government, but we do not disown it. The point remains a fair one, but the relationship is primarily a Government-to-Government one. It is not for the universities to go to the UK Government and ask for a change, although we might well make the point when we meet Scotland Office colleagues.

If the UK Government moved in a helpful way on the matter, of course we would welcome that. We are happy to have the paragraph in the report.

Ken Macintosh (Eastwood) (Lab): What will be the practical impact of the new relationship between the Government, the funding council and the universities? For example, if one of the key roles of universities is to promote economic development, how will that impact on the social sciences, arts and humanities?

Sir Muir Russell: It would be a mistake to focus on the so-called STEM subjects—science, technology, engineering and mathematics—and to say that they are the only subjects from which wealth comes, or the only subjects through which the universities add value. Many factors across the piece are relevant to people's employability and what they can contribute to the economy, including the skills that they bring, their graduate experience, the ability to think and tackle issues, and the maturing experience of being at university. It used to be said that history was the dominant subject among FTSE 100 chief executives. I am not sure that that is true now, but it has been the case.

We must consider the matter in a broad sense. I am sure that this is true of all my colleagues, but running a university with the range of courses that we have, I would not want to say, "It's nice to have that segment, but it won't be relevant to the important work of economic development and productivity."

No doubt you would hear more if other task force members were here. For example, if Seona Reid was here, she would talk about the contribution that the creative industries make to the economy, and you would hear that some of the best of breed in the world, never mind in Britain, are contributing here in Scotland.

The list of things that the funding council is going to do contains support for such segments precisely because they are so important. The quanta are different in that the input costs of researching medicine at the genomic level are higher than the costs of doing certain things in the arts and social sciences, but the outputs are tremendously valid across the piece.

John F McClelland: I confirm that the funding council has no intent to neglect the social sciences, creative industries, or art, drama and music in the context of our funding provision and direction. Almost the first project that the council pursued in the context of the new horizons fund was a Scotland-wide drama project. From that standpoint, I assure you that we will not focus only on STEM subjects that might appear to be closer to the economy.

Ken Macintosh: I welcome those comments, although it is difficult to see how one important area—the economy—can be prioritised without that having an impact on other areas.

The changes to the relationship that are implicit in the task force's report were made explicit in the latest letter of ministerial guidance to the funding council. Is it fair to say that, as has been widely reported, the letter created or provoked strong concerns among the university principals? If so, what are their concerns?

11:45

Sir Muir Russell: There were reports in the press that university principals were furious—or whatever word was used—about the letter. Those were not reports of comments that principals had made collectively; they were scarcely reports of comments that had been made on the record. When you consider the letter in the context of the task force and what the cabinet secretary said about it, it is clear that it is not intended to tell us what to teach or how to teach it. The letter says, in effect, "You get quite a lot of funding from the Government and the Government is interested in the outcomes that you are delivering in the context

of what the task force was talking about.” It absolutely respects the academic freedom of the universities, which is quite right. I would expect my colleagues who go on to the tripartite advisory group to discuss how the letter is going to roll out in the decisions that the funding council takes. Others can speak for themselves, but I am pretty clear that the letter is not intended to be a highly directive interventionist letter that interferes and tells universities what to teach, as it was portrayed in an oblique media comment.

Ken Macintosh: You said that there were no official on-the-record comments from principals. Have the principals raised any concerns with you?

Sir Muir Russell: To be fair, one of the comments that were reported was attributed. People wanted to be sure that the letter was not intended to betoken a complete shift to direction making, as it were, for which there is no power. The cabinet secretary’s responses have been crystal clear. David, do you want to add anything to that?

David Caldwell: It is as well to be clear about this. If the letter had been a direction to the universities about what they should teach, that would have been wrong and entirely objectionable; it would have been at odds with academic freedom and with what the task force report says about taking a lighter touch. We have the cabinet secretary’s assurance that that is not what the letter meant—indeed, I cannot find that meaning in the wording of the letter. It is more about accountability and it reiterates to the universities what has always been the case: they have to be accountable for their use of the public funding that they receive from the Scottish Government and they have to be prepared to demonstrate that they are using it appropriately and in a way that recognises the Government’s priorities—while still using their own judgment.

The autonomy and independence of universities is an extremely important principle, which the cabinet secretary has reiterated. Before she became a cabinet secretary, she made a particular effort in the Parliament to ensure that academic freedom was written into legislation. I have a good deal of confidence that the letter is not about directing universities what to teach, nor is there widespread concern among principals about the content of the letter.

It is interesting that, although the article occupied a great deal of prominent space in the newspaper in which it appeared, it was notably short on direct quotations.

John F McClelland: The only point that I would add in support of what has been said is that the Further and Higher Education (Scotland) Act 2005 defines clearly the term “academic freedom”. It

talks about freedoms of individuals within institutions, which is a separate subject to some extent from the issue of the implication in the article that direction was being given on specific subjects or provision.

Ken Macintosh: Mr Caldwell, you said that there was a lack of direct quotations in the article. I would hope that principals would make their concerns known to you, even though they might not have gone public. Have you been approached by anybody who is concerned about the letter?

David Caldwell: I simply reiterate what I said, which is that there is no widespread concern among principals about the content of the letter. That was discussed fully at a full meeting of Universities Scotland and the conclusion was that it was broadly satisfied with the content of the letter and that the letter did not tell universities what they should teach.

Ken Macintosh: You said earlier that the purpose of universities is to disseminate knowledge and truth, which is a fantastic ambition. I am sure that you cannot imagine any conflict between that and the Government’s purpose or policy direction. However, if there were such a conflict, what safeguards are in place to protect universities from direct intervention of the kind that is feared?

David Caldwell: There is an assurance that the autonomy and independence of universities are respected—that is an absolute fundamental of a free civic society. Were that to be threatened, it would amount to an attack on pluralist democracy, but there is no question that it is threatened.

Ken Macintosh: Perhaps I can give an example. The task force establishes a new relationship and it has been made explicit in a differently worded letter of ministerial guidance. Should that be balanced by new safeguards?

David Caldwell: We will have a new mechanism in the form of the tripartite advisory group for on-going dialogue with Government. We want to explore exactly what the letter of guidance involves. My interpretation of it is somewhat different to the alarmist interpretation that appeared in *The Herald* a few weeks ago. I think that the letter sits squarely with the task force report and assures us that there will be a lighter touch; the autonomy and independence of universities, and their importance, are fully recognised and will be honoured.

We must have an on-going dialogue with Government; it is perhaps our most important partner and it plays an important role in enabling us to do what we do. I return to my point about where the income of universities comes from. Rather less than 50 per cent of it comes from the Scottish Government, through either the funding

council or tuition fees paid by the Student Awards Agency for Scotland.

It is important to recognise that we have to be accountable to others for the other more than 50 per cent, but the Government's contribution is nonetheless the single biggest one. It is absolutely right that we should be engaged in that dialogue and that we should be held accountable for the use that we make of that tranche of money.

Ken Macintosh: I am not sure, but I think that you suggested that the tripartite advisory body might be one such safeguard. If that is the case, why is an advisory body being chaired by the Government?

David Caldwell: I do not regard the chairing of the body as hugely significant. We are content that the cabinet secretary should be its chair. It is interesting that the chair of the body that is offering advice is the person to whom advice is being offered. I agree that that is an interesting arrangement, but the fundamental issue is not who chairs what or who advises whom; it is the fact that there is continuing dialogue.

Ken Macintosh: I have a final question for Sir Muir Russell. Are you concerned by the use of words such as "implement" and "manage" in the new guidance to the SFC?

Sir Muir Russell: No. We are talking about a perfectly reasonable set of propositions from the cabinet secretary. If the funding council does not "implement" and "manage", we will have a funny kind of problem—

Ken Macintosh: Has the Scottish funding council ever implemented or managed universities before?

Sir Muir Russell: It does not implement or manage universities; it implements and manages policies that dictate funding and certain objectives—

Ken Macintosh: Has such language been used before?

Sir Muir Russell: I suspect that, if you were to look back at the sacred texts of corporate plans going back over the past few years, you might well find such phrases. I cannot do textual analysis with you. John McClelland might be able to say whether the phrase is there, and others can write to you about it. As far as I am concerned, it is not sinister.

Ken Macintosh: Do you acknowledge that some people might be concerned by the use of such language in such a document?

Sir Muir Russell: To an extent, it depends on whether you think that it is about managing universities—it is not; and about forcing universities to implement things in ways that

transgress the safeguards that we have talked about and their traditions—it is not. You may think that it is about our being asked to do things that would be damaging to what we do, but they would be daft to do that; they probably do not have the powers, either. I am not really worried about the specific and—dare I say it—narrow point about language. However, if you want to know whether that sort of language has been used in the past, perhaps John McClelland can help you.

John F McClelland: It is the type of language that has been used in the past in the context of projects and programmes that have been offered by the funding council.

Ken Macintosh: Has it ever been used in a ministerial letter of guidance?

John F McClelland: I could not say. We have used it in our corporate plans, but not in—

Ken Macintosh: You have been the chair of the funding council for some time, Mr McClelland, have you not?

John F McClelland: Pardon?

Ken Macintosh: You have been the chair for some time, have you not?

John F McClelland: I will be honest. I do not have an absolute instant recall of every line of every ministerial—

Ken Macintosh: But do you recognise a difference in the tone and language of this letter compared with previous letters of guidance that have been given to the SFC?

John F McClelland: I do not recognise a different tone. The letter contains a strong link to the horizon task force, as Sir Muir said. I see references to the task force. The topic of access and articulation has appeared in probably at least two or three prior guidance letters. In fact, some of the content follows on from the content of past letters of guidance. So, I do not recognise a different tone from that of past letters, except in the fact that the letter refers quite closely to some of the language of the task force.

Let me assure you, for the avoidance of doubt, that the horizon task force went out of its way to emphasise the fact that the funding council has no role in managing universities or higher education institutions. It is quite clear that those are autonomous bodies. What we manage are programmes that provide funding to those institutions. In particular, within the general fund—which is 90 per cent of the funding—we have committed to the management of those programmes with a lighter touch. Much of that funding, if not all of it, will be formula based.

We will manage the horizon fund within the funding council projects, which will interact with

universities, and the funding council and the HEIs will be accountable for the outcomes of those projects. However, that is very much an arm's-length arrangement between the funding council and the HEIs. I do not recognise our being put in the position of managing them, and we certainly have no authority to do so.

Christina McKelvie (Central Scotland) (SNP): I want to return to the point about academic freedom and the alarmist and unfounded perceived threat to academic freedom.

Universities in Scotland enjoy a lot of academic freedom in comparison to universities in other countries. Their freedom is much greater than it was a few years ago, when the Government directed what universities should deliver—we do not do that now. I draw your attention to a letter that was sent to the funding council in December 2002 by the then Minister for Enterprise, Transport and Lifelong Learning, Iain Gray. He wrote:

"I am writing to set out my main priorities for the Council's funding allocation to the sector for the coming year and my view of the Council's role in helping to deliver these. ... I would encourage colleges to take into account my priorities identified below in making what may be difficult decisions about priority students and provision. ... I look to the Council to use its pivotal position to provide leadership in facilitating a strategic focus for the sector to achieve our priorities."

The word "our" is used in that last sentence; in all the previous sentences, the word that the minister uses is "my". That appears to be ministerial direction and is not about identifying what the sector should deliver and how it should deliver it, which is the tone of the present cabinet secretary's letter. The tone of the cabinet secretary's letter is about maintaining a focus on what the sector's priorities should be in relation to the economic outcomes that the country needs. I am interested to know whether the perceived, but unfounded, threat to academic freedom is actually real.

12:00

Sir Muir Russell: I do not have a lot to say about that. I have said what I have said about the letter and about how we relate what the cabinet secretary has said to the taskforce report. One can pick away at the wording to one's heart's content, but we do not see the letter as encroaching on academic freedom. We think that it states pretty clearly what the cabinet secretary's priorities are and it guides the funding council through a set of aspirations, working actively with employers and doing all sorts of things that can be described with progressy kinds of words. We do not recognise the characterisation in *The Herald's* press comment.

David Caldwell: I disagree with the suggestion that there was a time when universities were given

direction about what they should teach. In fact, universities have always had a good deal of discretion, which is important. Universities are best placed to judge how to use their resources most effectively and efficiently while taking due account of the Government's priorities. There has been a variety of funding mechanisms in the past, but I am not aware of any that involved a Government giving precise indications of what subjects universities should teach and in what quantities.

Christina McKelvie: Can I come back in on that point, convener?

The Convener: If you insist—but it must be a question. This is not an opportunity for people to put forward their views, so unless you have a question, I will cut you off.

Christina McKelvie: I am sorry convener, but I think that a lot of people have put forward their views. Having said that, however, I would like to ask a question.

The Convener: I remind you that it is for the convener to decide who does and does not speak. If you want to make an intervention, it must be in the form of a question.

Christina McKelvie: I want to know whether David Caldwell realises that, according to my papers, universities in the 1940s and 1950s were given ministerial directions.

David Caldwell: I find that hard to agree with. That period was characterised by universities receiving an extremely generous block grant from the university grants committee, with almost no direction whatever about how the money should be distributed. If you offered me the chance to go back to the funding arrangements of the 1950s, I think that I might gratefully accept the offer.

Claire Baker: David Caldwell has already answered some of the points that I wanted to raise, so I would like to ask a question of Mary Senior.

During the process, there were concerns—particularly on the part of the trade unions—around the lighter-touch approach, which you referred to earlier. There was seen to be some tension between that lighter-touch approach and the Government's intention to align the sector more with its national outcomes. Has that issue been resolved? Have you been reassured on that point?

Mary Senior: I do not think that we have been fully reassured. To be fair, I should say that the STUC will meet the funding council in the next couple of weeks to discuss the issue.

We are all for getting rid of needless bureaucracy. However, the trade unions are clear that there is a role for the funding council in

ensuring that institutions comply with best practice in respect of people management, basic legislation and so on. In our regular meetings with the funding council, we bring up certain issues, as we look to that body to influence the sector with regard to how it manages people and resources.

We are still not fully reassured on what is meant by a "lighter touch". If that means getting rid of needless bureaucracy, that is fine, but we still think that there is an important role to be played by a strong funding council, as set out in the Further and Higher Education (Scotland) Act 2005.

Margaret Smith: At one time or another, most of us have come across situations in which voluntary organisations in our constituencies have gone chasing money—they need money, so they look around to see what they must do to get their hands on a certain type of funding. Sometimes that can skew what an organisation is about and take it down a route that causes it difficulty if and when the funding comes to an end. Are you absolutely happy that, with the prospect of the horizon fund and the new approach to funding, institutions will not be tempted to get into that type of situation? Will there still be a genuine place for the kind of pure learning that may not attract Government or other support?

Sir Muir Russell: The funding that we get for research—so-called quality-related research funding—comes to universities as part of the dual support system. Generally, funding for specific research projects comes from the UK-wide research councils or, sometimes, from big charities and industry. QR funding helps to create the infrastructure of principal investigators and other bits of a university that enable research to take place. It provides for maintenance of capacity and coverage and supports some projects for a time, until other grants are won. It is part of the strategic thinking of people like me, who decide what universities should do, what staff they should support and which subjects they should cover.

A number of people in a range of disciplines in universities are doing roughly what Margaret Smith describes, which is work that has a purely academic value. That work may produce ideas that become knowledge transferable, or which form the basis for postgraduate courses, but it has a fundamental academic element. One reason why we are strongly supportive of the dual support mechanism is that it ensures that a decent amount of QR is available for that purpose. The people whom we hire have a teaching load, which generates money, but they also do research, which often falls into the category that I have described. I am pretty confident that the new funding mechanisms will not close that off and cause everyone to chase the fashion of the current quinquennium.

David Caldwell: Much of the funding that we are talking about is located in the general fund, which is very important because it covers nearly all mainstream activities. It includes the entire main teaching grant and all the quality research grant, both of which are distributed according to a formula. Universities have to perform according to the formula to get the money, so there is accountability, but they do not have to rush around bidding for tranches of money; their performance determines what they get. That is a hugely important principle.

We are comfortable with the notion that the horizon fund should include certain special initiatives that may be funded in slightly different ways. However, that does not mean that some of them may not be funded by formula. The horizon fund includes a great deal of money for knowledge transfer, but there is a strong argument for distributing quite a lot of that according to a formula. Each institution would get a predictable amount related to its performance on knowledge transfer, in order to retain the infrastructure that it needs to provide support for SMEs, in particular. That infrastructure is important, because SMEs often have difficulty meeting the full cost of the support that they need from universities, including the full cost of overheads. If the infrastructure is already in place, universities can be a bit generous when they deal with the overhead element of the costs that SMEs must meet. That would allow knowledge transfer to progress more successfully and efficiently.

That happens partly because some of the money in the horizon fund is still distributed according to a formula, because that is the effective way of doing it, and it gets around the problem that Margaret Smith rightly raised of people rushing around to vote on resources to bid for quite modest sums that are not much larger than the cost of bidding for them. We need to avoid that danger: I am absolutely certain that John McClelland and the other members of the funding council are well aware of it and will steer well clear of it.

John F McClelland: Whether it is the tripartite advisory group or at the level of daily interaction between higher education institutions, Universities Scotland and the funding council, I believe that we can agree on the priority areas. If money is being chased, we all agree that it is the right area to pursue so that we do not distort behaviour in any way towards an inappropriate theme at that point in time. That comes back to one of the themes of the task force, which was to ensure that we are aligned with what will most benefit Scotland, whether it be social, cultural or economic.

The Convener: Claire Baker has a final question on funding.

Claire Baker: My question is on the horizon fund in particular. My earlier question about whether there was debate between the interim report and the final report was referring to the chat in the media and around the sector that there were concerns that the horizon fund might be top-sliced. There was a desire for the horizon fund to be additional money so that it would deliver what was laid out for it. The horizon fund exists as streams of money that have been collected together and which add up to 11 per cent. Will that pot of money always be 11 per cent? Are you happy with it sitting at 11 per cent? It relates directly to existing funding, not to what we expect the horizon fund to achieve. At the moment, it is just a collection of existing funds. When do you expect them to turn into the horizon fund? What is the timescale? A lot of the money is already committed. Has the Scottish funding council thought about the timescales or is the horizon fund just a label? Are we ever going to see the creation of an actual horizon fund?

John F McClelland: There are different aspects to that. Across the spectrum, without either of the two funds or tags, a mixture of different techniques and methodologies was associated with the distribution of funding, the majority of which were associated with a very complex formula. Part of the task force's remit was to recognise that the general fund, which is 89 per cent for this year, would use a lighter touch. I hope that there will be a more simplified approach to the formula that involves less bureaucracy, if that term is appropriate.

The horizon fund will have more of a "project and unique results" orientation. Whether it is associated with knowledge transfer or articulation, there will be measurement and review of outcomes and results, which is where the funding will arise.

To some extent, Claire Baker is right. The first year, or the transition year, is for applying those different statements to existing funding flows, although in 2009-10, there will be a re-appraisal of some of the amounts that will be spent by the horizon fund across the different elements that appear in the horizon fund.

We see the fund being quite dynamic. The fact that some programmes might be in need of special initiatives would one day be part of the fabric and day-to-day routine. Those activities could then become part of the general fund but would probably be replaced by other initiatives that address other developments and needs as we move forward.

12:15

The percentage split was not intended to be

static. We agreed a split of 11 per cent for the HFU and 89 per cent for the GFU for the coming year and we expect the tripartite group to seek and give advice on what elements should be in each fund in the future. There will be a time—it might be three or four years from now—when the projects in the horizon fund will be completely different from those that exist today. That would be evidence that the projects that we are currently pursuing had been successfully implemented.

Sir Muir Russell: I have two take-home messages. We hope that, as experience grows, the "lighter touch" mantra will work for the horizon fund as well as the general fund so that the former does not pile on complexity and difficulty. There is no sign that such complexity and difficulty are in the funding council's aspirations, which is good.

The leitmotiv in all the work is "something for something". The direct answer to Claire Baker's question is that, in the long run, part of the test of the Government on comparability and resources could be whether the horizon fund, as well as the general fund, expands and supports something-for-somethings—projects that make a difference—with additional resources. However, that is for consideration in the next spending round and the spending rounds after that. As I said, all this has happened in the middle of a spending round, when the constraints are clear and it is not possible to magic up the money.

Aileen Campbell (South of Scotland) (SNP): I will ask about students. The report talks about collaboration with schools and about opportunities presenting themselves through the curriculum for excellence. What practical difference will that make to students as they go through schools? How will universities collaborate with schools to enlighten students about the courses that they could choose, the careers that they could pursue and how they could do that? How will that follow through to universities? Will it mean a change in guidance and in what careers advisers and advisers of studies say to students about following a route out of university?

Sir Muir Russell: The high-level answer is that I see universities working more closely with schools as time goes on. We are interested in ensuring that we have good flows of new undergraduates who are well prepared and know what to expect. That connects to the points that I made to Elizabeth Smith about aspirations and saying to people, "You can do this." Such work is happening and more of it will happen. It is important to us that the curricula that are used and the qualifications that people acquire give them the best possible start. It is a win-win situation.

On the technicalities of what the curriculum contains, the main thing is that universities should know the competences and experience levels so

that they are able to make easy the transition to university for new undergraduates. You will find that all universities are doing a variety of induction-style things now, such as additional maths for people who find the jump to difficult stuff in university hard going, summer schools and induction weeks or fortnights.

We are examining the interface between schools and universities and trying to make them work together as well as we can.

Aileen Campbell: Mr McClelland spoke about arts, humanities and social sciences in response to Ken Macintosh's question about such subjects. Does more need to be done to inform small and medium-sized businesses about how graduates in the arts, humanities and social sciences can enhance their work? It would be quite straightforward to explain to a science-based company why it would benefit from having a science graduate, but it might be more difficult to do the same with graduates in other subjects. Should extra work be carried out on enhancing the knowledge of some businesses about the benefits that a social science degree might offer?

Sir Muir Russell: I will comment on that and then pass the question over to John McClelland. Many of our universities try to create internships or to put in place similar measures to expose our graduates to work experience either in the summer or during other vacations. The companies that we work with are certainly not all looking for stem-cell scientists. I suppose that we are seeking to create a community of people who have work experience and a community of employers who have seen what we have to offer. One is educating by doing, as it were, and trying to form a community of people who believe that it is worth getting involved in this activity.

Graduates can also work with companies as part of the knowledge partnerships that I think David Caldwell mentioned. These people are not always locked into any precise systems that those companies might have, but they might, for example, be able to help with some of the softer disciplines. I suppose that part of the answer to the question is that it is not so much about telling people on paper or putting them in front of a video as it is about creating a community of people for whom the interchange has already happened and who can see that the whole range of graduate and undergraduate skills can contribute to the running of their businesses. We are working at all this, but it will take time to develop things in the way that Aileen Campbell suggested.

John F McClelland: More than half the graduates who enter the financial services industry in Scotland do not have a financial or business degree—many are arts and humanities graduates. That is particularly true with regard to large

businesses. What was said about smaller businesses might be the case, but we do not have a lot of statistical evidence to back up such a claim.

Of course, we are not the only organisation pursuing this particular aim. We have been working with the Confederation of British Industry, the Scottish Chambers of Commerce and the Federation of Small Businesses to win their support for and secure their engagement in the employability, skills and knowledge transfer agendas, which will include having the opportunity to employ graduates irrespective of whether they have, for example, science skills for working in the science industry. The offer is made, if you like, in order to educate small and medium-sized businesses, but I am not going to pretend that the task is easy. As I said earlier, Scotland has hundreds of thousands of small businesses, and engaging with them all is a major challenge.

Aileen Campbell: I wonder whether David Caldwell can tell us a bit more about knowledge partnerships. Are they more common among larger businesses? Can they be used to enhance things at the smaller end of the scale?

David Caldwell: The number of such partnerships is quite modest. The initiative could, of course, be scaled up, but that would have resource implications. One of its strengths, though, is that in many cases it involves sending a graduate into a business that has never employed a graduate. That is crucial because, more often than not, the business realises that there is a real business benefit in employing a graduate. You might well find that when the knowledge transfer partnership placement comes to an end, the business goes out and recruits a graduate to its payroll. The mechanism is remarkably effective; however, as I say, its scale is relatively modest. Provision of the same opportunity to even more SMEs would do enormous good.

Aileen Campbell: I represent the South of Scotland, which is largely rural. Many people leave rural areas to go to university, and then do not come back. Can your scheme be used to tap into businesses in rural areas, to bring about rejuvenation?

David Caldwell: There is no restriction on that. The scheme is available to businesses throughout the country, and I see no difficulty in applying it to rural areas. Clearly, it helps if university-level provision is available not too far away, and we are getting closer to attaining that in the South of Scotland. We still have some way to go, but there is now a presence in the South of Scotland just as there is a presence in the Highlands and Islands. We are now in a better position to provide support than we were a generation ago.

Aileen Campbell: What about attracting international students? Your report explains why universities are well placed to offset the demographic changes that will take place in Scotland in 20 or so years. How will you encourage more inward migration of international students to universities and, importantly, how you will get them to stay?

David Caldwell: The single most important thing is to ensure that we maintain the high-quality system that we have now. If we are perceived to be losing our competitive edge, it will seriously damage our ability to recruit international students. That is one reason why an income base that is competitive with universities in the rest of the UK and internationally is so vital. Without the perception that our university sector is well-funded and capable of producing high quality, we will not be able to attract international students.

Students are affected by a range of factors, including cost, but the most important factor is quality, which is what will attract the most talented and the most able international students. Scotland is currently doing outstandingly well in attracting such students; we want to build on that success, and ensure that it does not decline.

Sir Muir Russell: We have to keep the edge. I have spoken to many people in the universities in other countries from which the students are coming—many of the students have already done a first degree. We need to build academic collaborations in order to build academic credibility. People have to know that the Scottish institution is a place that might be worth going to, and it will help if they have seen somebody from the Scottish institution collaborating with one of their professors. Word-of-mouth recommendations will follow.

Recruitment is not a bums-on-seats operation; it is very much about building two ends of a bridge. There has to be movement in both directions. David Caldwell spoke about the need for our academic reputation to be high: that must include international recognition for good research.

We can create niches. We can say, "In the whole wide world, this particular university in Scotland can provide this facility now. Come to it, and work with this person." It will really help if that person has been working in a university in the other country—America, China, India or wherever. We have to invest in people and in travel, in order to create the conditions that allow us to complete a virtuous circle.

A lot is involved in maintaining international competitiveness. I hope that I made it clear earlier that we must not take the achievements of Scottish universities for granted. We cannot rest on our oars for any length of time, because others

in the world are rowing like blazes, so we need to keep rowing, too. That is why we sometimes sound obsessive when making our case to you and to others.

The Convener: We have come to the end of our questions, so I thank the witnesses very much for their patience and for their willingness to engage with us.

12:30

Meeting continued in private until 13:27.

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