

EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

Wednesday 4 March 2009

Session 3

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EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE 7th 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:

Fiona Hyslop (Cabinet Secretary for Education and Lifelong Learning)
Stephen Kerr (Scottish Government Lifelong Learning Directorate)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Nick Hawthorne

LOCATION

Committee Room 2

Scottish Parliament

Education, Lifelong Learning and Culture Committee

Wednesday 4 March 2009

[THE CONVENER opened the meeting in private at 10:45]

11:00

Meeting continued in public.

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

The Convener (Karen Whitefield): The second item on our agenda is continued consideration of the joint future thinking taskforce on universities.

I welcome to the committee the Cabinet Secretary for Education and Lifelong Learning, Fiona Hyslop. She is joined by Stephen Kerr, who is deputy director of the higher education and learner support division in the Scottish Government. I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Education and Lifelong Learning (Fiona Hyslop): As soon as I took office in May 2007, I started to discuss with a number of university principals ways in which we might develop thinking about the long-term future of the sector. Following discussions throughout the summer and autumn, I agreed with Universities Scotland that we should establish the joint future thinking taskforce on universities, which met for the first time in December that year.

In agreeing our remit, the taskforce recognised that Scotland would face a number of major challenges over the next 20 years, including increasing international competition on skills and rapid changes in the type of skills needed by the knowledge economy, increasing international competition on innovation and technology, changing demographics, increasing pressure on productivity, and environmental challenges. I co-chaired the taskforce with Sir Muir Russell, who was then convener of Universities Scotland. We met monthly in the first half of 2007, and published our interim report last June.

Members of the taskforce agreed that it was important for stakeholders to have an opportunity to consider what we were proposing and to influence how best it could be taken forward, so we spent the summer of 2008 discussing the interim report with stakeholders, to enable them to

challenge members of the taskforce, as they had challenged themselves. We welcomed stakeholders' largely positive responses to our plans, subject to clarification of a number of areas of detail. At the same time, John McClelland led a review of the Scottish Further and Higher Education Funding Council's processes and procedures, in readiness for the new role that it would play in relation to the governance of, and funding policies for, our universities.

We published our final report in November after considering the views of stakeholders as expressed in discussions and in writing, and the outcome of the funding council's review. As members are aware, “New Horizons” sets out a framework for a new relationship between the Scottish Government, the funding council and our universities for the next 20 years.

The key elements of that framework include recognition that Scotland's universities should become a key economic sector in their own right, and a requirement that, in return for the substantial public funding that they receive, universities must clearly demonstrate that Government-funded activities are aligned with the Government's purpose. Also in the framework is the idea that existing Scottish Government funding should be streamed into the more flexible general fund, which is to support mainstream activity, and the horizon fund, which is to provide new opportunities and incentives, and that funding council regulation should take a lighter-touch approach. That approach will give universities greater autonomy, with strong governance, challenge and leadership from governing bodies, in order to ensure that universities play an active part in the new approach. The framework also includes the creation of a new tripartite advisory group to advise on those new funding arrangements.

The taskforce considered a wide range of issues, consulted key stakeholders and agreed its final report within a demanding timescale. My belief that a short, sharp exercise was the right approach has been fully vindicated, especially in the face of current economic challenges.

In January, Sir Muir Russell told this committee:

“This is very much a process. After all, this was never going to be the kind of definitive report with all the answers”—[*Official Report, Education, Lifelong Learning and Culture Committee*, 28 January 2009; c 1943.]

I endorse that view.

“New Horizons” sets out a framework for the next 20 years for an even more effective and responsive university sector. Its publication might mark the end of the taskforce, but it represents a new beginning in terms of our approach and relationships. There is much work to be taken forward now by Government, universities and the

funding council to ensure that our ambitions for the sector and for Scotland as a whole are met. I know that the funding council is working closely with stakeholders in taking that work forward.

My Government is ambitious for Scotland. “New Horizons” has allowed us to take early positive action towards our shared ambitions

The Convener: Thank you for ensuring that your opening statement was brief, as that will enable us to ask more questions. I hope that your example sets the tone for the meeting and that our questions and your answers will be equally brief and to the point. If that happens, we will truly have made progress.

I am sure that you have read the *Official Report* of the taskforce’s visit to the committee, so you will not be surprised that I want to ask you about the membership of the taskforce. Why were a number of stakeholders, including the trade unions, excluded from participation as full members, and were merely given an opportunity to give evidence?

Fiona Hyslop: We are trying to change the relationship between the funding council, the universities and Government. If we cannot persuade principals to make those changes, they will not happen, so direct engagement with principals was one of the things that we wanted to achieve in the short, sharp exercise. However, we received written and verbal contributions from stakeholders such as the Scottish Trades Union Congress and the National Union of Students Scotland.

I should perhaps explain what my relationship is with those various bodies. The idea that they could influence matters only if they were members of the taskforce is somewhat limited. The Government has regular round-table meetings with representatives from further education, higher education, representatives of the chairs of colleges and universities, principals of colleges and universities, a number of the unions and the STUC. That FE/HE round table is one of the main bodies in the relationship between Government and the sector. Prior to my taking office, it was not always the case that a minister would chair those meetings, but I have taken an active role in them and have chaired four. Furthermore, I have had four meetings with the STUC, four meetings with the University and College Union, five meetings with the Educational Institute of Scotland and four meetings with the NUS. Indeed, I have established regular bi-annual meetings with the NUS to take advice, share views and take forward our agenda. The taskforce was never the only route by which people could influence the direction of Government discussions on universities.

The review of Scotland’s colleges—ROSCO—which I inherited from the previous Administration, was long, extensive and involved many organisations in committees, sub-committees and so on, which did a great deal of work. However, it took a great deal of time, and we could not have afforded that in the current economic situation. Furthermore, in such an exercise, there is a danger that you end up going with the lowest common denominator that everyone can agree on. Given that we are dealing with a contentious area in which various stakeholders have differing views, there is a danger that such an approach might have resulted in a diluted report, as happened with ROSCO. Although we agreed with and took on board a great many of its recommendations, the review was not as pointed and directed as I might have wanted it to be. That is why we made sure, especially given the challenging timescale, that the taskforce emphasised the role of the Government, the principals and the funding council.

The Convener: Was the taskforce designed by the Government to silence principals and make them more co-operative, or was it—as Muir Russell said in January and you said in your opening statement—more about your vision of where the Government wants universities to be during the next 20 years?

Fiona Hyslop: I was pleased that the feedback from principals showed that they felt that they had had a good degree of engagement over an extensive period with this Government, which they had never had before. That was appreciated by all of the principals who took part. It meant that we could have fairly robust and challenging discussions, which we might not necessarily have had if there had been a wider membership. I wanted us to challenge them and them to challenge us, which is what happened, as the report clearly shows.

Obviously, some of the principals reacted to what was happening at the time of the spending review, but that took place late in 2007, and I had started discussions with principals about setting up the taskforce in the summer and the autumn. It was always my intention to establish such a taskforce. Obviously, late in 2007, the desire of the principals to discuss future funding arrangements received an added impetus. However, what we have done with regard to the general fund and the horizon fund will enable us to ensure that we maximise the public resources—£1 billion—that go into the sector. At a time of economic challenge, it is more important than ever that we ensure that the university sector is competitive, although we need to ensure that it also helps to drive forward the key sectors of our economy.

The Convener: You have said a lot this morning, minister, but I am still not exactly clear

about this: what exactly was the remit of the task force?

Fiona Hyslop: The remit was to set out challenges and a vision of what we need to do to change the relationship between universities, the funding council and Government over the next 20 years. That has been done, and we are already seeing the fruits of that.

The Convener: That discussion involved only the principals of the universities—the students and the trade union movement had no stake in it, and they did not have the right to take a position in the decision-making process or at the discussion table.

Fiona Hyslop: I have listed the opportunities for engagement with exactly the organisations to which you refer. Those opportunities have been increasingly frequent compared with work that was done under previous Administrations. After we produced our report, the feedback from those stakeholders was generally in favour of what we had come up with, as we heard in the stakeholders seminar and the various evidence sessions.

As I mentioned in my opening remarks, the governing bodies of universities have the challenge of taking a far more active role in ensuring the strength of the curriculum and the governance arrangements in their institutions. That point came from the STUC, which highlighted the roles of university courts and senates in its evidence to the task force.

As the STUC might also have told the committee, one of its concerns was about universities being run solely as big businesses, although I am paraphrasing, and I do not wish to generalise too much. It is sometimes quite a challenge for chairs of universities to deal with the operation, governance arrangements and business considerations of a large institution. Their role is also to ensure responsiveness in the curriculum to their own communities and students. That positive contribution to the task force's deliberations was helpful and useful, and was reflected on by university chairs themselves.

The Convener: Thank you for that. However, the STUC is still making representations to the committee—as is the NUS—and it seems to me that it still does not entirely agree with the Government that it was included in the process, despite your meetings, which I am sure it welcomes and appreciates.

Claire Baker (Mid Scotland and Fife) (Lab): My question relates to membership of the task force with respect to colleges. I understand that the Scottish funding council is reviewing its corporate plan. I want to tease out what relevance the task force has and what impact the horizon

fund will have on colleges, as they feature quite prominently in the Scottish funding council's revised corporate plan. Have colleges been consulted so far on what impact the task force and the horizon fund will have on colleges?

Fiona Hyslop: We deliberately set up the task force to consider universities, not higher education as a whole. As you will know, a third of higher education is delivered in colleges. We had just had the report from the review of Scotland's colleges—ROSCO—to which we responded. We accepted a number of its recommendations, and we have responded more recently on various other issues arising from the ROSCO report.

We have kept the colleges informed of the work of the task force. Immediately following the publication of the task force's report, I met the acting chief executive and the convener of the Association of Scotland's Colleges to discuss possible implications. That association was very interested in the funding council's approach of trying to play to the individual strengths of institutions while also considering how to ensure that Scotland's competitiveness is advanced through the work of the funding council, and has been receptive to that. The reaction of the colleges to the work that has been done regarding universities has been fairly positive. Colleges have seemed quite willing to engage with the strengths and key messages of that work, which they might be able to apply—obviously, subject to the agreement of the colleges themselves.

I have not listed the meetings that I have had with representatives of colleges, but we have a healthy and strong relationship with the Association of Scotland's Colleges, with which I have regular meetings. The present First Minister was the first First Minister, I think, to address its annual conference, which he did in June last year. That relationship is good and strong. We wish to be responsive to colleges' individual and specific needs. The funding council will engage with the association with regard to its independent responsibilities for the sector.

Claire Baker: Has the Association of Scotland's Colleges raised any concerns with you about the funding council's corporate plan, or has it voiced any uncertainty about how the task force's work relates to the corporate plan?

11:15

Fiona Hyslop: I am not aware of its having done so. I understand that the committee is reviewing the task force report, which was produced some time ago. The committee may want to have a separate dialogue with the funding council about its relationship with colleges once the council's corporate plan has been produced. It

would not be appropriate for me to speak on the funding council's behalf about its corporate plan.

Claire Baker: The issues are linked because colleges were excluded from the task force—they took part in the process as stakeholders, but that was the extent of their involvement. They are concerned about the impact of the task force's report on the corporate plan. I appreciate that the corporate plan is a different issue.

Fiona Hyslop: I am interested in any such feedback on the issue that committee members have received, but which has not been brought to my attention. My relationship with colleges is such that, if they have concerns, they know that I will respond to them quickly.

Claire Baker: How will the Government work towards achieving parity of esteem between colleges and universities? As you mentioned in your introductory remarks, higher education has been identified as a key economic sector. That applies only to the universities and does not include colleges, which creates a division between the two.

Fiona Hyslop: The Government's economic strategy outlines the key sectors. The public sector, which includes health and college provision, is identified as playing a key role. I stress the fact that universities are autonomous institutions that do not rely on the public purse, especially Government, for the majority of their funding. In identifying universities as a key economic sector, we are recognising that they operate independently of Government. I cannot refer you to the page in the economic strategy that outlines the key sectors, but the public aspects of health education are recognised. However, the key sectors are identifiable by the fact that they are independent of Government. They include the creative industries, food and drink, renewable energy and life sciences.

I put on record my thanks to the college sector for its responsiveness, especially during the current difficulties. Colleges have responded extremely well to implementation of the Government's economic recovery plan. In a sense, they are better placed than others to respond to the situation rapidly. It is to our advantage that we have a strong college sector, even compared with the rest of the United Kingdom. That will help us to address localised needs when tackling the economic difficulties that we face.

Claire Baker: I have some questions about future funding linked to the task force. When we took evidence from Universities Scotland, I asked what assurances it had received from the task force on the delivery of sufficient funding to universities. I refer you to paragraph 2.52 of the

task force report, which suggests that Scottish Government investment in the sector should remain broadly comparable in competitive terms with investment in the rest of the UK. Sir Muir Russell told the committee:

"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".—[*Official Report, Education, Lifelong Learning and Culture Committee*, 28 January 2009; c 1951.]

Should we see the statement in the report as a firm commitment to increasing overall funding for higher education?

Fiona Hyslop: "Cash in" is an interesting phrase. We acknowledge—as does Universities Scotland—that current investment in universities in Scotland is broadly comparable with that in the rest of the UK. If anything, we retain an advantage in that area. Paragraph 2.52 of the report refers to the fact that we are committed to maintaining that. We gave a great deal of time and attention to crafting the paragraph, because it was important that we set out our position on the matter. We are currently competitive in funding terms and intend to remain so.

Some of the biggest challenges that we face come from what is happening in other countries, not just in Europe but in America and China. I have seen at first hand some of the investment that is being made in the higher education sector in China. It is a big ask for everyone to respond to that.

We have to concentrate on our strengths and be competitive. The horizons fund aspect of the funding council's application of the task force recommendation allows us to ensure that we can play to our strengths. One of the strengths of the Scottish university system is that it is diverse; different institutions are strong at different facets. We need to build on that, because we will not necessarily be able to compete in terms of volume, as other countries can.

Claire Baker: Was there a discussion about the definition of "broad overall comparability"? I understand that there needs to be some discussion around that—or is there agreement on it?

Fiona Hyslop: I will ask Stephen Kerr to expand on this, but there is currently broad comparability. You will notice that one of the challenges that universities give the Government is about funding in relation to the Organisation for Economic Co-operation and Development. Some of the definitions will have to be established and agreed in order to take that forward.

Stephen Kerr (Scottish Government Lifelong Learning Directorate): Members will recall that one of the recommendations of the task force

report is to set up a tripartite advisory group. I am sure that we could have spent some months talking about what we meant by “broad overall comparability”. One of the group’s tasks will be to consider what we mean by that and how that is unpacked, together with issues such as international competitiveness.

In essence, we are looking to achieve as much of a shared evidence base and a shared view as possible. We will consider a basket of measures around inputs and outcomes associated with research and knowledge transfer, and some areas around the economic impact of universities on local and regional economies, as well as different definitions of public and private investment in institutions. We will probably be supported in that work by a technical group. There is more work to do and the tripartite advisory group is where the discussions will take place.

Fiona Hyslop: I think that the committee will be interested in the deliberations on that, which we will share with you when the information is prepared.

Claire Baker: When Universities Scotland gave evidence it was clear that it expects delivery on resources for universities in the next comprehensive spending review. Once we have decided on the definition of “broad overall comparability”, if there is a need for increased investment for Scottish universities to reach that point, will the Government deliver that in the next CSR?

Fiona Hyslop: Remember that there are two sides to broad comparability: it is about knowing where we stand, but it is also about where the rest of the UK stands against the criteria.

It would be inappropriate for me to second-guess the next spending review or Cabinet colleagues’ discussions on it. It is clear that there are lots of challenges for everybody going into the next spending review. We are concerned that the cuts that are anticipated from the UK Government in the pre-budget review are not just for 2010-11 but for a longer period. If £500 million of cuts going into 2010-11 are replicated in 2011-12 onwards, they would have an impact on all public services. That is not specific to universities—although they will be interested in the results—but will affect the health service, transport and so on.

We are not in a position to share with the committee the content of Cabinet’s deliberations on the next spending review, but there is a clear commitment in the task force report to ensure that there is broad comparability of funding. The Cabinet will certainly consider that when it looks at the overall spending review allocations from 2010-11 to 2011-12 and onwards.

Claire Baker: The commitment to ensure that funding is broadly comparable would be delivered in the CSR. Is the commitment relevant to the CSR?

Fiona Hyslop: Of course it is, because that is the next period when allocations will be made. On the basis that we do not know what allocations we will have from the UK Government, it would be inappropriate for me to give indications of any decisions that the Cabinet has made or any discussions that it has had until now. Any discussions about future funding have to be held in the context of the next spending review. As yet, we have had no indication what the state of the UK’s public spending will be. The messages that are coming from the UK Government are challenging indeed. What we can say is that universities in England will probably face exactly the same issues and challenges as will universities in Scotland in relation to the spending review.

We want to ensure that, going into a recession, the UK Government recognises that to ensure that we have the best opportunities to come through that recession positively, we need to invest in our competitive sectors. The university sector is a strong area in which to invest, and we state throughout the report the economic opportunities that universities provide for us—not necessarily in the short term, but certainly in the long term—to ensure that we are best placed to have a strong economy in the future. For that to happen, we need investment in areas such as life sciences and renewable energy. I cannot give a guarantee that there will be a blank cheque in the next spending review, but I can say that the report’s findings and the recommendations in paragraph 2.52 will form part of our discussions in the next spending review.

Claire Baker: I asked that question because, when we heard evidence from Universities Scotland, the witnesses used phrases such as “bankable assurance” and seemed to expect some kind of return from the task force.

Fiona Hyslop: That is why we worded paragraph 2.52 carefully. Universities Scotland recognises that any Government, at this point in the spending review cycle, would not be able to promise a cash amount. What we can give, however, are the report’s assurances about broad comparability. That is what we are committed to.

Elizabeth Smith (Mid Scotland and Fife) (Con): I would like to pursue the issue of funding. When David Caldwell gave evidence to the committee, he was adamant that he welcomed the Government’s discussions on putting the universities sector into the seventh key economic sector as that would add to the status and the role

that the universities sector has. The Government clearly agrees with that.

If that is the case and if the Government wants to extend access to undergraduates across the spectrum, although you cannot be expected to give a figure on this and I would not ask you to do so, the bottom line is that we need more money. We cannot maintain standards in university education and achieve our economic objectives with the existing resources. What other opportunities could we pursue to increase revenue in the universities sector?

Fiona Hyslop: Our participation rate is fairly competitive, but the universities want to increase it to 74 per cent by 2028, which is a considerable increase in numbers. We will discuss that with the universities in the tripartite advisory group in the context of where we need to be.

Your question was about extending access to undergraduates. We currently have a high level of participation, and I define widening access as encouraging people from less traditional backgrounds to go to university, whereas participation is about the total number of students in universities. Are you asking whether the Government wants to increase the total number of people who go to university?

Elizabeth Smith: Let me make it absolutely clear. Access and participation are closely linked, and I understand that there are two Government objectives. One is to ensure—rightly—that we have greater qualitative delivery of the services that universities can provide, which are being extended because of the stronger link with the economy. The second objective is to widen access to ensure that more people can attend university. I do not think that we can achieve both objectives without there being more resources in the system and, deep down, the Government might acknowledge that, too. It is an issue that has come out of a lot of our evidence sessions.

My conclusion is that we must either yield on one of those objectives slightly—reduce our ability to achieve it—or find more revenue for the universities sector. I presume that the Government would prefer to do the second and find more revenue but, given that we are in a tight economic situation, how are we going to get the extra money to achieve the two objectives?

11:30

Fiona Hyslop: I agree that we want more revenue to go into the universities sector, but I query the premise of your original question. For the first time in five or six years, we are seeing an upturn in the number of people who are applying and being admitted to universities. That has

resulted in a welcome increase in the participation figures.

You said that the Government's target is to increase participation, but we are still discussing with universities what we might want to do on that. Pages 31 and 32 of the task force report contain the challenges from the Government to universities and the challenges from universities to the Government. There are bits that we do not completely agree on, and we must face up to that. The universities ask that

“as a minimum, Scotland must aim to be in the top quartile internationally for its higher education participation rate”.

As a country, we need to decide what the percentage of participation can and should be. We have not been definitive on that, but the universities want the figure to be up at 74 per cent. We should remember that it was down at 47 per cent and is now creeping up above 50 per cent. The committee might want to take a view on that part of the task force report.

I will put that issue to one side, as your question was really about revenue.

Elizabeth Smith: It was specifically about revenue. Mr Caldwell was adamant that we need more graduates in specific subjects. In previous evidence sessions with the committee, you have pointed out various subjects in which we need more graduates, such as biotechnology. There is also a qualitative aspect and, from all the evidence that I have heard, I do not believe that we can achieve a qualitative as well as a quantitative change. We probably cannot set a percentage by which we want to increase the number of people who go into higher education, but we must accept that the trend is upward.

Fiona Hyslop: It has not been upward in recent years.

Elizabeth Smith: There is an upward trend in certain subjects that the Government is keen to develop—that is the key point. We must therefore consider how to find more resources. Sir Muir Russell spoke to the committee about university systems in other countries and how they increase revenue. He pointed to the fact that our universities fall far short of those in other countries, such as America, in attracting philanthropic giving. How will we get the extra money to do everything that we need to do to prevent difficulties?

Fiona Hyslop: There is an issue about the balance of undergraduates and a big challenge in postgraduate activity, in which we underperform internationally. I agree with the universities that we must consider the balance and the areas for postgraduate activity. We can return to what the

balance in the numbers of undergraduates and postgraduates should be in various subjects.

On the point about revenue, I agree that we must consider diversifying the income streams. Compared with other countries, we underperform in attracting philanthropic giving and investment, particularly from private sources and industry. The scale and pace of the University of Edinburgh's improvement in its endowment fund has been staggering, although it is well placed for a variety of reasons. Such improvements will not be possible for all institutions, particularly the newer ones that do not have such a strong cohort of former graduates who can support them.

The relationship between our universities and the private sector is worth exploring. One big challenge that we identified in the Government economic strategy is the level of research and development. If it was not for our higher education system and universities, Scotland's level of research and development would be even worse than it is. We have fantastic levels of research in our universities—the recent research assessment exercise shows it to be world class—but private industry has a poor record on research and development. A closer link between some sectors and industries and our universities would provide a benefit.

One criticism that we often hear is that universities should do more to commercialise. The skills strategy, the science framework and the task force report all identify that we need to do more to stimulate the demand from industry for research. It is not one-way traffic. We talk about knowledge transfer, but we should talk about knowledge exchange because it is a two-way process. We seek a healthier relationship between private industry research and our universities. There is a lot going on—I do not underestimate that—but if we are looking for growth sectors and asking how the two areas can help each other, knowledge transfer can stimulate demand for research from universities.

The Scottish funding council recently launched the business voucher scheme, again on the back of the task force report. That scheme is for smaller businesses, whereas I think that the member was asking about larger institutions, but that direction of travel is undoubtedly essential if Scotland is to compete on a world scale. That point comes through strongly in the report.

Elizabeth Smith: Sir Muir Russell said:

"Scotland is now the only part of the country that does not have a scheme to stimulate philanthropy—England and Wales both have one."

However, he also said:

"A lot is happening to move us through a clear road map". —[*Official Report, Education, Lifelong Learning and Culture Committee*, 28 January 2009; c 1952.]

Will you update us on the task force's discussions about trying to increase philanthropy?

Fiona Hyslop: Again, the question is what Government should do given that the institutions are autonomous and independent. Their principals know that they should do more and that they should not expect the Government somehow to guide them through the path of attracting philanthropy.

Elizabeth Smith: I am not asking what the Government has done—as you rightly say, the matter is one for the institutions—but what discussions you have had. Surely the task force has discussed stimulating philanthropy, given that it is a general underpinning principle. What discussions have you had about how that might happen within individual universities?

Fiona Hyslop: We have had some discussions, but they are limited. The matter is specific to individual institutions. They have their own history, heritage and ways of going about things, and I do not think that it is right for the Government to interfere in that.

Elizabeth Smith: Have there been any discussions about best practice?

Fiona Hyslop: I return to what I said in response to Claire Baker's question about broad comparability. We want to continue the dual funding stream—we are specific about that in the report. We are clear about the Government's role in continuing to fund university investment at good levels, and we do not want a growth in philanthropic investment or other types of investment somehow to displace Government investment or allow Government to reduce its investment. That is not on the cards. However, we will encourage and support individual institutions to do anything that they do themselves.

The match funding of philanthropic investment has been suggested. I know that that has been promoted in England, and I have said before that I am fairly open-minded on that. The only factor that detracts from the idea is that it would benefit the more established universities, which have a greater call and reach, more than our newer universities: we might support or incentivise investment activity that benefits the older, more established universities—perhaps Glasgow, Edinburgh and St Andrews—to the detriment of others. That does not mean that I am dismissing the idea out of hand, but there might be more effective ways in which Government can invest in universities.

A further point is that we underperform in securing European investment, and I am keen for

us to consider how to maximise that funding. When I was up at Dunstaffnage recently, I heard about the fantastic research work that is being done there in marine biology and in the Arctic on climate change. Nobody else in Europe is doing that work to the same level. We can become more competitive in lots of ways.

There is no big-bang solution, and we need to grow all the revenue streams. That is important both for economic competitiveness and in the interest of increasing participation rates. The universities have a challenge in increasing participation rates from 50-odd per cent to 74 per cent. That is a huge increase, and I presume that the committee and the public will want to take a view on what they believe is reasonable.

Elizabeth Smith: The Government had a huge input to the general principle of a new horizon fund, which is seen as something that will stimulate innovation, but concerns have been expressed to us that the general fund might suffer because of that. Has the task force discussed that? It ought to be considered in the discussions about the general principles that underpin funding. The point also brings me back to the membership of the task force: perhaps other groups that were not part of the task force should have an input. I hope that you can reassure us that businesses and other stakeholders can contribute to the debate about funding, because—let us be honest—they are possible sources of funding in the future.

Fiona Hyslop: One point that the Council of Economic Advisers made to us was about ensuring that there is business representation when decisions are made, but the committee should remember that there are people with business experience on the boards of colleges and universities across the land and that the funding council contains a large number of people with business experience—the chair himself has such experience. Those people can take forward the views of business.

We must remember that it is right and proper for Government to help to influence and shape the contribution that is made on behalf of the public purse, but it is not necessarily right and proper to extend that influence to philanthropic giving or other sources of investment. Universities and other institutions must have plenty of scope to decide where such funds go.

We are concentrating on the general fund and the horizon fund. The £5 million that was announced for the creative industries came from the first tranche of the horizon fund, as did the funding of conservatoire provision at the Royal Scottish Academy of Music and Drama. The horizon fund can be used to recognise the strengths of individual institutions—we would not

necessarily do that through the general fund, but it will continue.

It is right that we challenge universities in many areas. Since devolution, the universities have perhaps not been challenged or questioned about their contribution, but it is right and proper that those of us who are accountable for the £1 billion that goes into the sector should ask, "What are you contributing and how can we make more of that contribution?"

Elizabeth Smith: Why do you want more economic objectives to be tied to the university system?

Fiona Hyslop: It is right and proper that the public want to know what the sector's contribution is in return for £1 billion of public investment. I am confident that we will be able to prove that the sector makes a strong contribution. Given the world-class stuff that is happening in our universities in areas such as life sciences and renewable energy, they can demonstrate that well.

Aileen Campbell (South of Scotland) (SNP): I will backtrack a wee bit to the membership of the task force, on which the cabinet secretary has already commented. We heard the other week about the importance of small and medium-sized enterprises and the high proportion of those businesses in Scotland. How do you plan to engage effectively with that sector given that it had no formal representation on the task force?

Fiona Hyslop: The task force was short and sharp; it met monthly for six months. It was set up during 2007, met during 2008 and reported in the summer of 2008. We have now moved on to the application of its recommendations.

The points that we discussed about the relationship with SMEs and stimulating demand for research are important with regard to the skills utilisation agenda and the science framework. A couple of weeks ago we launched the business voucher investment scheme. It is currently operating as a pilot, but £100,000 is being used to encourage small businesses to access research and engage with institutions. It is interesting that they are engaging not only with universities but with colleges because they have a strong base in stimulating demand and providing support.

Many of the universities do such work themselves. I will visit a number of them to look at their contribution to the Government's economic recovery plan and see examples of how they support businesses to engage with them. Bearing in mind that 90 per cent of Scotland's businesses are SMEs and that we are looking to improve research, competitiveness and productivity, universities can and want to contribute a vast amount of talent and resources. Dialogue and engagement is important.

I will ask Stephen Kerr to comment. A number of initiatives are already run between businesses and universities to pursue the objective, but through the funding council we have provided the incentive scheme, which will take matters forward through the use of the vouchers.

Stephen Kerr: I will develop a couple of those points. As John McClelland said in his evidence, the implementation of the "New Horizons" report by the funding council will take place over a number of years and the horizon fund will start to be implemented from academic year 2009-10. The cabinet secretary has mentioned some of the early wins that have come as the theme of "New Horizons" has started to flow through the activity that the funding council is supporting.

On Aileen Campbell's point about engagement with small and medium-sized businesses, the funding council would not introduce new initiatives without detailed consultation with the sector. Essentially, "New Horizons" gives us the framework within which to develop proposals, which will then be subject to consultation by the funding council with the affected interest groups.

Aileen Campbell: Have you detected any reasons for the lack of engagement between universities and the SME sector in the past? Do you have evidence of any other countries being better and more effective at using their universities' intellectual assets to take their companies or nations forward?

11:45

Stephen Kerr: The cultural engagement between small and medium-sized enterprises—and, indeed, microbusinesses—and universities is important. For the businesses, it can be quite intimidating and hard to know where to go, who to speak to and what support is on offer. A couple of years ago, a brokerage service called interface was established. It is meant to bring academics and researchers together with the small and medium-sized business base.

There are a number of factors in the lack of engagement, but people can overlook the fact that it might be quite intimidating for a small business to approach its nearest university and hard for it to have the confidence immediately to establish not only a relationship but the right relationship. If that does not happen, the engagement often withers and does not prosper. Services such as interface have been put in place to help to address those circumstances.

Fiona Hyslop: Aileen Campbell asked about other countries. Germany in particular has a far healthier relationship between academia and business, as well as other ways of making progress, but I do not want to downplay the

engagement that already takes place in Scotland. It is not that it does not take place, but it does not take place in all institutions to the scale and extent that we need. It is a key matter for us to drive forward. The task force's work and how the funding council has acted on it will help to provide a platform for more such engagement in future.

Aileen Campbell: Is the business voucher scheme running at the moment?

Fiona Hyslop: It was launched only two weeks ago.

Aileen Campbell: When will it end? Will we get to see results from it?

Fiona Hyslop: I can ask the funding council to provide the committee with feedback on how the scheme progresses, who takes it up and their experience of it.

Stephen Kerr: The scheme is open for proposals at the moment. Each university has a voucher, and there is a match funding element with businesses. The universities are working with businesses in their localities and regions to find out which of them might wish to take advantage of that new funding stream. As the cabinet secretary said, we are happy to provide the committee with an information note on that.

Margaret Smith (Edinburgh West) (LD): Cabinet secretary, do you accept that, when the task force's report came out, there were concerns about the fact that universities will be required to demonstrate that they act in a way that supports and pursues the Scottish Government's purpose of sustainable economic growth, albeit that all parties in the Parliament—with the possible exception of the Greens—want to achieve that purpose? Do you understand those concerns, and what assurances can you give the committee and the sector that there is nothing to fear in that direction and that the universities' autonomy is safe in your hands?

Fiona Hyslop: Not only is the universities' autonomy safe in my hands, but I ensured that it was safe in law. I do not know how many committee members are familiar with the Enterprise and Culture Committee's consideration of the Further and Higher Education (Scotland) Bill in session 2. The bill, which set up the funding council, initially said nothing about academic or institutional freedom, but Michael Matheson drafted an amendment and, as the Scottish National Party substitute on that committee, I moved the amendment and argued the case for academic and institutional freedom.

The Administration of the time was not supportive because it was not in the bill, but it was one of few times as an Opposition member that I managed to persuade a committee and the

Government of the day to include something in a bill. Not only will I defend academic and institutional autonomy and freedom, but I am responsible for it appearing in the Further and Higher Education (Scotland) Act 2005 in the first place.

Margaret Smith's general point is about what the relationship between universities and the Government should be. I think that everybody understands that there has to be some level of accountability for £1 billion of investment. As she rightly said, we expect the economic purpose to be demonstrated in future, regardless of the political colour of the Government. It is important that the relationship is healthy and that the universities' contribution can be demonstrated.

The criticism has been made that the demonstration of universities' contribution to the economic purpose relates narrowly to STEM—science, technology, engineering and mathematics—but analysis of the key economic sectors shows that Scotland is strong in the creative industries as well. That is why £5 million of investment was announced recently from the horizon fund to support the creative industries. Universities' contribution to the economy is not just what people might think of in traditional terms, and it is important to recognise the investment in conservatoire provision at the RSAMD and the provision of support for the creative industries and in other areas.

I do not want to pre-empt the survey of Scotland's skills base that will be published shortly, but I can say that we have a strong record and employers like what they see coming out of our universities. We all acknowledge that, although much of what universities do is vocational, they also provide contributions in the arts and humanities. Graduates who are critical thinkers, who can challenge things and who are creative and confident in expressing new ideas are as much a part of the future of the knowledge economy as graduates who are educated in the traditional sciences.

Margaret Smith: I would like to pursue the issue of accountability and your desire both to incentivise institutions and to see what they are delivering. If the Scottish funding council is to take a lighter-touch approach to institutions, you must be expecting a lot more from the institutions' governing bodies. How will the new relationship between the Scottish funding council and the institutions work? What will be the benefits of that new approach?

Fiona Hyslop: The Scottish funding council will take a more strategic interest as opposed to its current operational gathering of information through countless surveys. It is cutting a lot of its bureaucratic requirements of institutions, and

there will be far more dialogue on strategic interests. It will also be far more responsive to the strengths of individual institutions, which will be important in ensuring that we have a competitive sector. Different institutions have different strengths: I have already mentioned some institutions, but we also have Glasgow School of Art and the University of Stirling, at which Scottish Government established as the Scottish Institute of Sport after recognising its specific strengths.

Within that, as I have said before, there is a challenge and responsibility for the universities to shape their future. There are tensions in the relationships among the university senates, courts, chairs and principals. A university needs its principal to be a strong leader, but the relationships will be different in different institutions. I think that the leaders have an important role: I have discussed the matter with the chairs of institutions and they recognise that they have a role in working together more closely. Indeed, they have established a committee of chairs of university courts through which they are starting to operate collectively. They share best practice and experience, which is healthy and something that I am keen to encourage.

Ken Macintosh (Eastwood) (Lab): I will continue the same line of questioning. The concern that Margaret Smith described, which is also outlined in the committee's papers, is that the Government, through the funding council, will be too interventionist. If you do not believe that the Government is being too interventionist, how would you describe the policy of aligning Government funding with university outcomes and priorities?

Fiona Hyslop: We recognise the important role that universities play in Scotland's economy. That is one of the reasons why I recommended to the Cabinet, which agreed, that universities should be established as the seventh economic sector. The demonstration of that role is one of the things that we will work through at the first meeting of the tripartite advisory group, next week. Part of that will involve finding ways in which universities can demonstrate what they do. Some universities have already demonstrated their activities in different areas. In the difficult economic circumstances that we face, we must decide where the future lies for Scotland's economy, in which context life sciences and renewable energy are clearly strong areas. One challenge that we face is deciding on the extent to which we will pursue particular areas—perhaps to the detriment of other areas—and the extent to which we need to ensure that we pursue a broad range of areas.

To digress slightly, the committee might not be aware that the Government has set up the strategic forum, which brings together the chairs

and the chief executives of Scottish Enterprise, Highlands and Islands Enterprise, VisitScotland, Skills Development Scotland and the funding council to ensure that they inform each other of their strategic thinking on where we need to go in economic terms. That means that the funding council can be more responsive in relation to those issues.

There are issues to be debated in relation to which sectors we need to pursue, but we expect that that dialogue will take place between individual institutions and the funding council. It is important that the Government stands back and does not direct funding towards particular areas. We are keen to play on the strengths of individual institutions, and we will have a competitive strength in Scotland, because every one of our universities will have a research capacity. We will not—as was strongly advised against in the recommendations—have teach-only universities.

There will be more dialogue between institutions and the funding council on what individual institutions can contribute, what their strengths are and what they would like to do more of; as well as what they perhaps might want to do less of, which might allow another institution to take over in that area.

Issues about how to operate on a regional basis within Scotland and how to ensure that people in certain parts of the country—the Borders, the Highlands and Islands and parts of Dumfries and Galloway, for example—can access university education are also best discussed between individual institutions and the funding council.

Ken Macintosh: I agree that there are questions about the fields to which universities direct their research, teaching and so on, but we are trying to establish how interventionist the Government will be with regard to the funding council, because it is clear that there is a different relationship. Do you expect the funding council to change the weighting that it gives to teaching or to research, to reflect the Government's economic priorities?

Fiona Hyslop: I expect the funding council, in distributing funding, to build on the strengths and the requirements of the 2005 act. The act makes it clear that the funding council must maintain teaching provision and ensure access to research. I will give a flavour of where we might go. I was due to meet Lord Drayson, the UK science minister, tomorrow. That meeting has now been rescheduled, but I am keen, as he is, to meet and discuss the issues.

I had a discussion last week with Professor Ian Diamond, who is the chair of Research Councils UK. I was interested to discover that the research councils have a priority list. We score well on the

RAE, as we know, but we also have particular strengths in the fields in which the research councils are interested. We can, where it is possible, maximise and facilitate recognition of the key sectors and promote our position, but it would be wrong for the Government to tell the funding council that we want it to invest more in a certain area because supporting that sector is part of the Government's economic strategy.

Ken Macintosh: But do you expect there to be a change in the weighting that is given to certain areas, even if you do not give the funding council direct orders?

Fiona Hyslop: Not necessarily. Members of the committee might want to debate that among themselves. Elizabeth Smith tells us that if we want to increase the number of undergraduate students, the teaching bill for universities would need to be increased—and by a large amount, if the universities want to increase numbers by 20 per cent. Your concern is in the other direction—I detect from your question that you think that the balance should be towards research rather than teaching.

Ken Macintosh: It is not a question about my priorities—it is more about the relationship. You should not read my priorities into that.

Fiona Hyslop: I do not expect there to be a seismic change in the distribution of teaching and research. Such a change might have to occur in order to respond to the challenge that has been set by Universities Scotland to increase participation from 50 to 74 per cent over the next 20 years, but I do not anticipate any great shifts in the short term. There might be some alignment within individual institutions in order to play to their strengths, but there will not be any great change on a global or Scotland basis—only, perhaps, at an institutional level. Again, that is a matter for the funding council.

Ken Macintosh: Do you understand the anxiety that exists among social science faculties and arts and humanities departments? Is their anxiety justified?

12:00

Fiona Hyslop: I do not think that they are anxious. In response to Margaret Smith's question, I alluded to the need to recognise that the strengths and capacities of our graduates do not necessarily have to be based along strict and narrow subject lines.

I am passionate about the science agenda. Its importance to our future is clear. Science is already a strength for us, but we need to maintain that in the number of students who come through. We are running the school science advertisement

campaign to encourage more youngsters to take science and to pursue science subjects at university, but it is not our intention to squeeze out other areas. As a social science graduate—I have remembered that Aileen Campbell is one, too—

Aileen Campbell: We studied in the same department.

Fiona Hyslop: Yes, although we are generations apart.

It is important to give reassurances about the continuing need for a broad education system in Scotland. That we have such a system is one of our great strengths. Having a four-year degree allows us to provide breadth, particularly in first and second year. From an international perspective, the fact that we offer a broad range of subjects in first and second year makes the Scottish system extremely attractive in comparison with the English system.

As we move forward, some of the most exciting innovations in the new economy will be in interdisciplinary work. It is a big challenge to ensure that we have enough breadth of experience to allow interdisciplinary work without adopting a lowest common denominator approach, whereby people's performance is not tested to ensure that it is satisfactory. The debate on that will be interesting. We have come through a period in which our general education has become more specialist. I suspect that we should probably shift back to give people a broader range of subjects than they currently take, although that is a personal view; it is for institutions to make such decisions. Interdisciplinary work is becoming increasingly common, even in the social sciences and related subjects. Do the arts and humanities and the social sciences have a role to play in Scotland's economy as we move forward? Yes, they do.

Ken Macintosh: On economic policy, you want the priorities of the universities to be in alignment with those of the Government. Universities Scotland has just produced an economic analysis that is quite critical of the Government's priorities. It suggests that responding to short-term needs on the skills and employability agenda is not the universities' priority and that our money should be invested in high-end, long-term planning. Do you agree with that analysis?

Fiona Hyslop: Certain parts of the report reflect the Government's analysis in its skills strategy. The report did more of a hatchet job on the Labour Party's apprenticeship programme than it did on the Government's economic strategy, although everyone received some criticism.

I agree that we need more postgraduates in particular areas. If one compares performance in Scotland with performance elsewhere, one finds

that we have fewer international postgrads producing high-quality work. That is another challenge—as well as having more home-grown postgrads, we need to attract more international postgrads.

As a key economic sector, the life sciences are an area in which we need to ensure that Scotland is at the top of the league. With John Brown, I co-chaired last June's business in the Parliament event. I chaired the life sciences discussions, which I think were held in committee room 6, at which everyone said that it was possible to get quality postgrads for life sciences and that what we really needed but did not have was technicians. I made a commitment, which is just about to be delivered, that we would produce a modern apprenticeship in life sciences. It is a growth area, so we need technicians. We will deliver on that.

That shows that Universities Scotland's analysis, that our entire focus should be on postgraduates and that it is wrong to pay such attention to vocational skills, is wrong. Its analysis of where the Government is is a bit dated and seems to reflect a perceived debate rather than what is happening in the economy and the decisions and action that the Government is taking.

Ken Macintosh: I have a final question on that point. Do you think that, in their short-term response to the economic difficulties that we face, universities are doing enough on the issue of employability skills?

Fiona Hyslop: As I said in my earlier remarks, colleges are probably better placed to respond immediately with short-term courses. However, universities are carrying out a number of activities in response to the immediate issues, which I intend to see in visits over the coming weeks and months. Much of that activity is about helping to support small and medium-sized businesses.

The employability agenda is crucial for us all. I do not want to criticise the great deal of work that has happened already in that regard, but we need to see a step-change in it. I attended the event to mark the renaming of Napier University to Edinburgh Napier University, which has the top United Kingdom award for its approach to employability skills. In addition, the University of Aberdeen is about to embark on a new curriculum that will embed employability skills. I met NUS representatives last week, who expressed to me that there will be strong demand from students for universities to improve and expand employability experiences.

Universities are responding, but best practice could be shared more widely. We need to encourage more businesses to engage more directly with our universities to provide

employability experience because I think that there is a willingness to do that. I will be at the University of Aberdeen shortly to help it launch its provision on employability, which I think will be exciting and will drive the agenda forward. I agree that universities could do more on the employability agenda, but much is already being done, and I would not want to say anything detrimental about that.

Ken Macintosh: I have a question on the related issue of sustainability. Some people in sustainable development are concerned because the section on that in the task force report was a little light. It mentioned university estates, but it did not mention, for example, the role of teaching. Was there a missed opportunity to boost the importance of sustainability, particularly at this time?

Fiona Hyslop: Perhaps. If the report is light on that, it was perhaps a consequence of looking at issues specifically but rapidly. The sustainable development agenda is huge for universities, which have all signed up to the programme for sustainable development—Stephen Kerr will remind me later of its proper name. We are extremely well placed in that regard, from a European perspective.

Timely learning and teaching opportunities are available. For example, we helped to support the development of the carbon centre at the Crichton campus. Postgraduate places are part of the University of Glasgow's provision at the Crichton campus and I was pleased that the Government could help to find mechanisms to support the retention of the University of Glasgow down at the Crichton.

I was struck by what Dumfries and Galloway College wants to do with Dumfries and Galloway Council, the University of Glasgow and the University of the West of Scotland to embed sustainable development in all teaching in schools, colleges and universities. Part of that is the agenda of developing Dumfries and Galloway's green economy. As I have said publicly, just as computer, business studies and information technology skills were embedded in the education system when we were at school or college, so will sustainable development have to be embedded, because people in any line of business will have to be aware of sustainable development issues, which will be very much part of our future economy.

We will watch closely what happens with the attractive sustainable development model that has been proposed in Dumfries and Galloway. Members will know that the University of Edinburgh's courses in sustainable development are already oversubscribed, which is increasingly the case for such courses. The issue is not just

people's interest in that area, but the economic application. It would be good if we could become world leaders in renewable energy and sustainable development. Members will remember that we have the highest proportion of eco-schools in Europe. Clearly, young people in our country have an appetite for the issue. I would like Scotland to develop expertise in sustainable development and sustainable development education in order to gain a competitive advantage.

The Convener: Margaret Smith has a brief supplementary question.

Margaret Smith: I want to pick up a point that you made in response to Ken Macintosh. As an arts graduate, I was pleased to hear you say that people with arts degrees should not be anxious, but you were right to mention the importance of science. I want to highlight the issue of women pursuing academic careers in science. Much of the time we focus on getting girls into science subjects at school, but a fairly high proportion of girls at school still take qualifications in science. A certain number enter university as science undergraduates, but there is a steep fall at postgraduate level and an even steeper fall at the level of those pursuing an academic career.

I met some female academics last week and was amazed to hear them say that many aspects of an academic career in science prevent them from having the life-work balance that most women now expect to have in the workplace. They must move and get funding packages every two or three years, and their productivity is measured totally by the papers that they have produced and so on. The issue is causing a number of women to contemplate leaving the profession. I know that it is important that we recruit people in schools at the point where they are choosing subjects for highers and advanced highers, but it is also important that we retain people. Have you looked at the issue, given that we have a problem in getting women to pursue academic careers in science? Do you think that we could improve the situation?

Fiona Hyslop: How we ensure that we give opportunities to and release the potential of the science talent in the female population in Scotland is an important question. What we do with businesses is an issue, as we want to have science within industry. People do not need to be research scientists to operate in a productive way in the economy. We must ensure that women with science degrees who have had a family or gone into a different area can return to science; we discussed that at least year's business in the Parliament event. One of your colleagues raised the issue in the Parliament, and I committed myself to pursuing it. I have already spoken to

Professor Anne Glover, who is one of the best role models for women in science, about the matter, and we are keen to take it forward.

You highlighted the competitive nature of science. That point applies to all subjects; I am not sure whether it is a particular issue in science. The funding council has a responsibility to consider the equalities agenda. I give the committee a commitment to ask the funding council, as part of that process, to look at the specific issues that you have raised, because we have some fantastically talented female scientists. I met some of them at the recent University of Edinburgh event that recognises rising stars. There are some excellent young women scientists in Scotland, who are contributing to some of the best science in the world. We want them to be celebrated and to stay here and contribute. If there are barriers that are holding them back, we need to identify those. I will be delighted to pursue the issue and give a commitment to doing whatever can be done to ensure that we have a more sensible approach to science that encourages and retains more women.

Margaret Smith: I welcome that.

Kenneth Gibson (Cunninghame North) (SNP): Good morning, cabinet secretary. The report raises concerns about the demographic challenge that Scotland faces. Over the next decade or so, there is likely to be a significant dip in the number of 18-year-olds in Scotland. The figure will then rise slightly, but by 2027 it will still be about 11 per cent lower than the current figure. Given that there has been a 118 per cent increase in the number of students from outside the European Union, what steps is the Scottish Government taking, within the powers that it has, to encourage more of those students to remain in Scotland after graduation? At First Minister's question time a couple of weeks ago, I asked what damage the issue of changing visa regulations will do if it is not resolved. As you know, Scottish universities say that it could cost them up to £50 million a year if foreign students decide not to come to Scotland but to go elsewhere. What discussions have you had with the United Kingdom Government on the issue?

12:15

Fiona Hyslop: Universities face a big challenge from population changes, especially universities in the west of Scotland that are used to being attended by young people from their large catchment areas. In Scotland, population has moved to the east. I think that last year was the first for some time in which births outweighed deaths, but until those young people come through, the number of young people will keep declining. That will lead to big market challenges for universities. Where will they get their undergraduates from? We might be able to

increase the participation rate because there are fewer people overall from whom to draw—although I am not sure that that is the ideal way of tackling participation issues.

The average student these days is not an 18-year-old. More and more students are in their 20s or 30s, and they may have family responsibilities. That is why I have supported loans or grants for part-time students. The “New Horizon” report touches on how our network of colleges and universities can work in ways to suit people whose personal circumstances and responsibilities might mean that they cannot just up sticks and go to university in the way that previous generations could. We are doing what we can to support part-time students and students with families. Increased resources have gone into welfare, discretionary funding and child care.

Scotland is an attractive destination for international students. Glasgow Caledonian University and Heriot-Watt University are among the top institutions in the UK for the experience offered to international students. I recently held an event for international students principally from the United States but also from India and China; those students felt that the welcome that they received, not only from the universities but from the local population, had been very important to them. The fact that Scots are welcoming is important to tourists and to students.

My visits to China—the forthcoming visit and last year's event—are to ensure that a high number of Chinese students continue to come here. Students also come from other countries. We have a strong reputation as an attractive destination.

Kenny Gibson raised a point about visas. I have pursued the issue on a number of occasions, in person and on the phone, with a number of different ministers. We have made some progress on some issues. We were concerned that higher national diplomas would not count and would not be recognised in applications to stay in Scotland; because of the importance of HNDs to Scotland's universities and colleges, we managed to persuade the ministers that they should.

Discussions on visas continue. The current provisions are far too harsh. They could have a detrimental impact and that is unnecessary. When people know that a country is easy to work with when they want to study, a reputation can spread by word of mouth. The previous Government's fresh talent initiative was very good. It was interesting to note the speed at which Scotland's reputation was enhanced. Scotland became attractive to international students because of that. We therefore have to consider the converse situation. If visa problems make things more difficult, the consequences could be rapid. We are determined to tackle that. The Government is

speaking to the other devolved Administrations, because they have similar concerns.

I have been in discussions with the UK Government, and I know that, following Kenny Gibson's parliamentary question, the First Minister is taking a keen interest in the issue.

Kenneth Gibson: If Universities Scotland is right that the visa issue will cost the university sector £50 million a year, that will have a fundamental impact. There will also be an impact on the wider Scottish economy because of the money that is spent on accommodation and elsewhere. If the issue is not resolved favourably, will there be an impact on the viability of some specialist courses? It is clear that a disproportionate number of overseas students are on certain courses in some universities. Have you any feedback on how the visa decision could impact on the viability of some of our more specialist courses?

Fiona Hyslop: No, and I would rather concentrate on trying to resolve the problem than on anticipating the consequences. I want to continue to pursue the issue because the important thing is to at least try to mitigate the consequences of the visa decision.

Kenneth Gibson: You can do both. If you are unable to change the decision, you do not want to be in a position after some months have passed where you have to act swiftly on something that you could see coming towards—

Fiona Hyslop: I am sorry to interrupt, but the Scottish Government does not direct funding to individual institutions or specific courses. The law would not allow me, as a Government minister, to intervene and take action on specific specialist courses. The committee could have dialogue with institutions to find out what individual courses they might have difficulty with. However, it would be wrong for me to somehow reverse a decision or interfere with individual courses.

Kenneth Gibson: I do not suggest for a minute that you should; I am suggesting that if there is an adverse impact on funding for a university as a result of something beyond your control, Universities Scotland could come to you for additional funding or support in order to try to mitigate the effect of those problems. I do not suggest that you or anyone else should interfere in specific courses, but institutions might look to Government to mitigate the situation from resources that you might or might not have. Although you might try all you can to resolve the visa problem—I think that everyone around the table hopes that you do—there is no certainty that you will.

Fiona Hyslop: That is a reasonable point that can be made to the UK Government. As part of

the financial and constitutional arrangements, if one part of the UK Government structures carries out policies that cause a consequence of expense to another Administration, it should be rectified within the block grant that is provided. The argument can be made to the UK Government that, if that policy cost to individual universities is extensive, it would be reasonable for them to be compensated for that by the UK Government. However, I doubt that that would happen because the policy would also impact on English universities, so the expense would not be a disproportionate one in Scotland. Costing and quantifying the policy would be helpful.

The comments about the decision came from the new principal of the University of St Andrews, not from Universities Scotland, but I am sure that it will try to identify the potential cost of the visa decision.

There are other influences on international students. It is quite cheap to come here because of the current value of the pound. Obviously, if an international student is making decisions about staying here for four years, they do not know what the value of the pound will be in the future, but we need to play to our strengths. One of the things that we are monitoring closely is whether the global economic recession will start to influence behaviours of international students generally, not necessarily just those who come to Scotland. If disproportionate numbers come here because we are attractive, there will be a disproportionate impact if they start not to come.

Kenneth Gibson: I hope that that might impact on the block grant to some extent.

My other question is about something that we raised with Universities Scotland when it was before us to discuss "New Horizons". Paragraph 2.57 of that report states:

"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."

Paragraph 2.12 talks about "productivity lags" and "low performance equilibrium". I realise that the constitutional settlement comes into play, but is there any wiggle room to try to get an element of discretion in that regard?

Fiona Hyslop: The point about productivity at paragraph 2.12 is one of our country's biggest challenges. We have high levels of skills compared with England, but our economic growth rate and productivity lag. There are different ways

to improve productivity. One of the ways that we are trying to identify and support because we have the powers to do so is using skills. One of the biggest complaints that you might hear from graduates is that they do not think that their graduate skills are used properly in the workplace. That is one of the things that we can identify and deal with within our current powers.

Another way of improving productivity involves investment of capital and labour in research, and we recommend that it would be useful to incentivise that through tax breaks. However, as paragraph 2.57 says, we cannot do that—we are limited to a voucher system. Reductions in business rates can help small businesses, and it is possible that they might use those savings for investment in research. However, we do not currently have the powers to try to use the tax system to increase productivity. We have competitive industries, and it might be that you will want to concentrate on the seven key economic sectors in order to promote the idea. However, this is an area that quite clearly shows that the Scottish Government and the Scottish Parliament would do far better if we had more powers. Independence would provide us with the tax powers that we need in this area. This issue identifies some of the benefits of constitutional change for Scotland.

Claire Baker: I was hoping to raise the issue of changes to means testing that have taken place as a result of the Education (Means Testing) (Scotland) Amendment Regulations 2008. I appreciate that that is not part of today's discussion, but I spoke to the convener about the matter before the meeting and we agreed that I might ask you whether you would be willing to respond to a question about a letter that you wrote to the committee on 18 February. Would that be acceptable?

Fiona Hyslop: I promised the committee that I would come back to the committee on the issue of the means test. If I had been given notice, I would have been more than happy to respond. I assume that all members have seen the letter that I wrote to the committee on 18 February. In it, I said that we would consider the impact of the means-test changes. We have provided resources for discretionary funds that can be used when people find themselves in difficulties as a result of the changes. I know, from your questions when the committee dealt with the regulations, that you had concerns about whether extensive difficulties to families would be caused by bringing HE means testing into line with FE means testing and, indeed, the way in which the UK Government treats family income with regard to a range of benefits.

We heard about only a limited number of students—42 or 45—who had been affected by the changes to the means test. I hope that that gives you some reassurance that the concerns that you quite rightly raised when the statutory instrument was passed were unfounded. You were right to raise the issue, as that caused us to undertake research and get feedback from the universities about the demands that had been made on the discretionary funds following the changes.

Claire Baker: I understand that only five HE institutions responded to your request for information, and I am sure that you are as disappointed as I was by that poor response.

However, the evidence on the use of discretionary funds from universities in general—much of which is anecdotal—shows that a combination of the changes to the means test, the fact that students are either finding it increasingly hard to find part-time jobs or having their hours in those jobs cut and the pressure on parental income due to some parents facing redundancy have resulted in an increase of pressure on the discretionary funds of between 8 per cent and 40 per cent.

You mentioned that there had been an increase in money for the discretionary funds. Has there been a reallocation yet? Is that additional funding or a redistribution of universities' underspend?

Fiona Hyslop: I think that we have a letter that we are about to send to the committee on this matter, but I do not think that I have a copy of it to hand. That is why it would have been helpful if you had indicated that you wanted to raise this subject today. I would have been more than happy to share that information with you. However, from my recollection—

Claire Baker: If there is a letter, we can wait for that.

The Convener: It might be easier if you were to respond in writing.

Fiona Hyslop: I will give you an initial response just now, but I have a letter or a report that I am keen to share with you.

You talked about anecdotal evidence. The Labour Party conducted a survey that it said showed that, I think, 11 institutions had reported increased pressure on their discretionary funds—of course, the economic recession is impacting on everyone and putting pressure on jobs and other areas. I should point out that, of those 11 institutions, only three have asked for an in-year redistribution of their discretionary funds to ensure that they can respond to the demands that are being made. That means that, although the demand has gone up, it is, by and large, being met

from within the institutions' discretionary funds. Clearly, the funding council has an opportunity to carry out an in-year redistribution of funds, and I understand that it is doing that earlier than usual this year with regard to the institutions that have requested such a redistribution.

12:30

Stephen Kerr: We could easily spend an hour on this subject. A number of issues are at play, such as the FE bursary support that colleges distribute and general discretionary funding for students in universities and colleges. About three or four years ago, a number of mechanisms were introduced to ensure that there were in-year reallocations of money. That means that colleges and universities that anticipate that they will have more money than they want to draw down can return that money, which can be recycled in the system. It also allows money in various academic years to be brought backwards and forwards. The system is much more flexible than it used to be.

The funding council is examining the issue of FE bursary support. At the moment, an in-year redistribution and reallocation of resources is under way in the college sector. I know that colleges are considering their budgets for the next academic year as well.

Fiona Hyslop: I am more than happy to send the committee the letter that explains the matter, which I am sure will be helpful. However, I hope that this initial feedback on the concerns that have been expressed has been useful.

The Convener: Thank you for your willingness to answer a question on something that was not the subject of today's considerations.

Fiona Hyslop: On another issue, yesterday I wrote to the convener to explain the background to the Government's actions in relation to the tragic case of Brandon Muir. We will keep the committee informed on the matter and share with you any information that we have.

The Convener: Thank you. That letter has already been circulated to all members of the committee. We all share the Government's views about the importance of child protection. We will certainly continue to take an interest in the issue.

Meeting closed at 12:32.

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