

ENTERPRISE AND CULTURE COMMITTEE

Tuesday 16 September 2003
(*Afternoon*)

Session 2

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ENTERPRISE AND CULTURE COMMITTEE

4th Meeting 2003, Session 2

CONVENER

*Alasdair Morgan (South of Scotland) (SNP)

DEPUTY CONVENER

Mike Watson (Glasgow Cathcart) (Lab)

COMMITTEE MEMBERS

- *Brian Adam (Aberdeen North) (SNP)
- *Mr Richard Baker (North East Scotland) (Lab)
- *Chris Ballance (South of Scotland) (Green)
- *Susan Deacon (Edinburgh East and Musselburgh) (Lab)
- *Murdo Fraser (Mid Scotland and Fife) (Con)
- *Christine May (Central Fife) (Lab)
- *Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)
Rhona Brankin (Midlothian) (Lab)
Fiona Hyslop (Lothians) (SNP)
Mr Brian Monteith (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO ATTENDED:

Des McNulty (Clydebank and Milngavie) (Lab)

THE FOLLOWING GAVE EVIDENCE:

Dr Tony Axon (Association of University Teachers)
David Bleiman (Association of University Teachers)
David Caldwell (Universities Scotland)
Professor William S Stevely (Universities Scotland)
Dr Bill Stewart (Association of University Teachers)
Professor Joan Stringer (Universities Scotland)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 1

Scottish Parliament

Enterprise and Culture Committee

Tuesday 16 September 2003

(Afternoon)

[THE CONVENER *opened the meeting at 14:00*]

Item in Private

The Convener (Alasdair Morgan): Welcome to the fourth meeting in this session of the Enterprise and Culture Committee.

Agenda item 1 is to decide whether to take item 3, which is the selection of an adviser, in private. Do we agree to take item 3 in private?

Members *indicated agreement.*

Scottish Solutions Inquiry

14:01

The Convener: The first of our two sets of witnesses for agenda item 2 is from the Association of University Teachers. We have David Bleiman, who is the assistant general secretary, Dr Bill Stewart, who chairs the education committee, and Dr Tony Axon, who is the research officer. Dr Stewart will say a few words to amplify their written submission.

Dr Bill Stewart (Association of University Teachers): First, I thank the Enterprise and Culture Committee for allowing us to come along today to give oral evidence. I will say what I say to my students, which is that I hope that everyone has read our written submission. I will amplify it and emphasise particular points.

AUT Scotland represents about 6,000 academic and academic-related staff in Scottish universities. Academic-related staff are administrative, computing, library and research staff. Members might be fed up hearing this, but our view and the view of the employers, students and many other people in higher education is that Scotland is blessed with a world-class higher education system. Donald Dewar asserted that some years ago and I believe that what he said is still true. We are here to try to ensure that it stays that way.

On funding for universities, the current political consensus is that top-up fees are not an option in Scotland. We believe that no more financial burdens should be placed on students in terms of their participation in higher education. We also believe that, given the state of the stock market over the past two or three years, endowments, which are a useful funding source for some universities, are not reliable.

Our contention is that the main funding source for our universities must be the public purse. I know that members will ask me where any desired increase in money will come from. To be fair, I believe that that aspect is the job of you guys, because you are the custodians of the public purse and you set the priorities. We are here to argue that higher education and its funding should be a high priority for the Scottish Parliament.

Obviously, coming here as a trade union that represents many of the academic and academic-related staff who work in higher education, we have concerns about staffing issues, particularly with respect to funding and, consequently, pay. If a large differential were to develop in the long term between higher education funding levels in England and Scotland, there could be a brain drain of staff from Scottish higher education. We

contend that that would be mainly to do with facilities, particularly research facilities, rather than pay. Obviously, however, pay levels are also important. Pay levels in United Kingdom universities are agreed on a UK basis. The present UK-wide negotiations have stalled a little and things are not moving quickly on that front. However, the point is that there is a UK aspect to the funding of universities in Scotland.

From our point of view, local bargaining holds dangers and we would not want it to be introduced. Local bargaining would be detrimental not only to our members but to higher education provision, particularly in Scotland. If funding for pay is not made available in Scotland to the same extent that it is in England, that will increase the likelihood of members of staff in Scotland moving south.

Our emphasis is on two important aspects. One is that there should be no further financial burden on students and the other is that, to fund the universities properly, the main source of funding has to be the public purse.

The Convener: In the second section of your submission, you talk about top-up fees, which is the issue that has attracted most people's attention. However, you also say:

"In addition many other features of the White Paper will impact on Scotland because they are UK wide initiatives".

Could you expand on that?

David Bleiman (Association of University Teachers): In England, it has been suggested that there be 6* research departments, as we say in our submission. We were quite alarmed by the fact that such a proposal could be made in the English white paper on higher education, because it could clearly have an impact on Scotland. For example, if Scotland did not use the 6* label, it might risk losing out on kudos because there would be 6* departments in England but not in Scotland. However, if Scotland used the 6* label for funding purposes, that would introduce a further ratchet of research activity for which there is no demand in Scotland. We were alarmed that the proposal was made without any consultation between Charles Clarke and his Scottish opposite, who was Iain Gray at that time.

The Convener: What would be the effect of the implementation of that proposal?

David Bleiman: It is possible that the result would be the 6* designation being used in Scotland not for funding purposes but as a label, to avoid any loss of prestige for our leading research departments compared with England. That strikes us as silly. What would be worse, however, would be if the Scottish Higher Education Funding Council decided that it had to

move towards greater research selectivity in Scotland simply because the larger partner—England—was doing so.

The lesson that I would draw from that is that there must be mutual respect between the Department for Education and Skills in England and the Scottish Executive. The minister in England must respect the fact that Scotland has an autonomous higher education system, for which the Scottish Parliament is responsible.

The Convener: In your introductory remarks, Dr Stewart, you noted that you were seeking an increased share of the budget. You said that higher education should be a very high priority, but you were not willing to tell us what other part of the budget should be reduced accordingly. Unless everything is to be a priority, something else will have to be a lower priority than higher education. We cannot really provide extra revenue from taxation as an alternative to introducing top-up fees in Scotland. Have you no suggestions about what the Executive may see as a lower priority than higher education? I have not yet seen any witness appear before a committee to say that their area is funded as well as they would like it to be.

Dr Stewart: I suppose that that is true.

You have put me on the spot. Far be it from me to suggest that the Scottish Parliament might use its tax-raising powers to get more money into the system, but it could do so if it considered that higher education and services such as health and transport were of equal priority. Higher education feeds into all other aspects of Scottish life—society, the economy and health. If the Scottish Parliament does the sums and concludes that there is not enough money in the pot to fund all the number 1 priorities that it has identified, the option of using the tax-raising powers should be considered.

Murdo Fraser (Mid Scotland and Fife) (Con): If the Scottish Parliament were to use its tax-raising powers, everyone else would also bid for the extra money, so we would be back where we started.

I read your submission and listened to what you said with interest. I understand that you believe that Scottish higher education is underfunded. Are you in a position to put a figure on that underfunding? How much money would be required to raise funding to a level that you would regard as satisfactory?

If top-up fees are introduced in England, they will be of major benefit to the funding of higher education south of the border. Can you put a figure on the amount that we would need to put into Scottish education to match the money that was being invested in education in England?

Dr Stewart: It is sometimes difficult to separate the different strands of funding that are covered by the Scottish Higher Education Funding Council and the Higher Education Funding Council for England. However, Universities Scotland, which will give evidence later, has made a statement about the funding that needs to be made available in the fairly near future. The AUT, Universities Scotland and the National Union of Students Scotland are about to press-release a joint statement. I do not know whether members have seen that statement, but it gives a figure of about £100 million.

I do not know how much extra funding would be needed if top-up fees were to be introduced down south, which is not yet a done deal. I will pass the question to Tony Axon, who is our statistician.

Dr Tony Axon (Association of University Teachers): As the committee will be aware, the AUT, Universities Scotland and the NUS are conducting a review to establish a baseline for funding in Scotland and to calculate what the differences between Scotland and England will be if top-up fees are introduced in England. Those figures are still being worked out. The catch-up figure to bring the funding of higher education level with the increase in the Scottish budget as a whole is £57 million to £59 million.

The extra amount in the figure of £100 million that Bill Stewart mentioned would raise the funding of higher education in Scotland to a reasonable level as a percentage of gross domestic product, compared with competitor nations—

Murdo Fraser: I want to clarify that point. Is the £100 million to bring us into line with what is spent in England, or is it a figure that you regard as desirable?

Dr Axon: We regard the figure as desirable if we are to compete with other nations in Europe.

I return to the other figure of almost £60 million. By 2005-06, higher education would need around an extra £60 million to return us to the position that we would have been in if we had had the same increases as the rest of the Scottish budget from 2002-03. In essence, that is what would be needed by the first year of the next comprehensive spending review.

14:15

Murdo Fraser: Before I interrupted you, I think that you were going to say something about the figures that would be required to balance top-up fees in England.

Dr Axon: The trouble is that those calculations have not been done yet. We are still trying to work out a better analysis of the funding in Scotland through the on-going review. We are also waiting to discover what will happen with the fees in

England. It seems that many universities will charge the full fees, in which case there will be quite a big difference between England and Scotland. However, if universities in England do not go down that line, the differences might be smaller. It is difficult to say at the moment what the figures will be.

David Bleiman: I offer a supplementary answer. It is no secret that there is a substantial back-bench rebellion about the issue in Westminster. The views of the back benchers who do not like variable top-up fees also differ. There is some speculation that there might be support not for variable top-up fees, but for a general increase in the level of top-up fees, with every university receiving the same tuition fees with deferred repayment, on the Scottish model.

The committee would be wise not to fixate on any particular development in England—for example, what is proposed in the white paper might not happen. It would be all the more worrying for Scotland if all the English universities got a standard increase in fees, because it would not be a simple matter of some of the more prestigious English universities getting ahead of the rest—in those circumstances, the whole English system would go ahead of Scotland.

On the question of where the money should come from, I share my colleague's difficulty in pinpointing the victim. There are occasional examples of people getting money that they do not want—Scottish Natural Heritage was to receive £30 million for something that did not come out of any particular plan of the organisation, let alone of the staff. However, there are not many such examples. The issue must be examined in the short and medium term. In the medium to long term, within the comprehensive spending review process, we want higher education to be treated as a priority, not simply in terms of the rhetoric or the policy, but of the funding flowing from the review. One cannot have health as a priority and not have higher education as a priority alongside it, because expanding the health service requires doctors and nurses. There are constraints on higher education's ability to deliver that.

In the short term, higher education is included with the enterprise and lifelong learning budget. There is scope for synergies or mutual benefit, in that higher education is a key part of Scotland's enterprise strategy. Significant Scottish Enterprise funding is already coming into higher education and there is room to move further in that direction. Indeed, it is important that any money that comes into universities from that direction—or from other Scottish Executive budgets—also comes with the appropriate overheads to ensure that it does not cost the universities anything to provide services. The universities should be able to use the funding to build up the research infrastructure and so on.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): We are discussing finding money for universities, and you have outlined the route that you have started to go down. Last week, we had a very interesting evidence-taking session with Dr Andrew Cubie, who made the same remarks that you made in your submission about the threshold and the repayments. However, although colleagues might disagree—this is possibly a personal impression—I was not quite certain at the end of the session about Dr Cubie's views on the endowment fund. At one point, he said that the fund might have possibilities. I hear and respect your view that we should not increase student debt, but Dr Cubie hinted that one might consider using the fund as a financial mechanism through back-loading. I am sure that you would not want that to happen, as it might increase students' financial burden.

I had the impression that Dr Cubie felt that ring fencing the endowment fund was also very important. Do you have any views on the perceived ring fencing of money that is used as bursaries or as financial assistance to help the poorest sections of society, or are you rather easy about the notional ring fencing that we have at the moment? I accept that this territory is probably not welcome for you, but I would respect your views on the matter. You must understand that we have to consider every possible avenue.

Dr Stewart: As you have pointed out, ring fencing has its pros and cons. The whole essence of the Cubie report was its attempt to find a solution to the problem of student debt and funding students through their university careers. Many of our members would be somewhat unhappy about using endowment fund money to fund higher education in general. I do not think that we could very well sell that idea to our members or that we would support it.

David Bleiman: I want to answer the first part of the question, which related to the threshold. As a former member of the Cubie committee who was party to the discussions that led to consensus on that issue, I have recently been reflecting on the matter. The Cubie committee heard a lot of evidence, some of which led us to the view that it was appropriate for graduates to make a contribution. Of course, I am not talking about individual graduates, but it appeared that on average graduates in the developed world would earn over the course of their working life significantly more than non-graduates. As a result, it was felt that a threshold should be set at a level—the Cubie committee suggested £25,000—that roughly demonstrated that the graduate had benefited financially from having been through higher education and over which one could reasonably start looking for a contribution from them. It was quite remarkable that a consensus

that included student organisations such as NUS Scotland developed around that view.

However, the Scottish Executive decided on a much lower threshold of £10,000. The reasons for that decision are quite instructive and take us back to the difficulties of the relationship with England. For administrative reasons, the Inland Revenue had to be relied on to collect the money and it appeared that the Scottish Executive was not in a position to tell it to operate a £25,000 threshold. Only now that England is moving towards a £15,000 income threshold for loan repayments can Scotland move up to that £15,000 level.

The whole thing has been very unfortunate. The consensus was broken in a small but significant area of detail. It would therefore not be sensible, or even feasible, to consider building a consensus on an increased burden on students. I suspect that Andrew Cubie was hinting that, if the threshold were increased, the question of the level of contribution from graduates might be re-examined. We have to be cautious about that; it would go against our policy and there is no evidence of anything remotely approaching consensus that students should be expected to bear a heavier burden.

Christine May (Central Fife) (Lab): I have a general question and then some specific questions about the witnesses' paper. The general question reflects one that I have put to the other two folk who have given evidence to the committee. Are you talking strictly about the university sector, or do your remarks include those elements of further education where higher education degree courses are taught?

David Bleiman: Our evidence relates to higher education.

Christine May: Only higher education?

David Bleiman: Yes. We do not represent academic staff in further education so we cannot speak on their behalf.

Christine May: If we consider the sector as a whole—because further education contributes significantly to degree courses—would the figures look different? Have you done any research into that? In the fourth paragraph of your paper, you say:

“We recognise that the HEFCE funding will include an increase in student numbers and a significant proportion of top-slicing”.

If you took out the increase in student numbers—because, of course, the participation rate in Scotland is significantly higher—and the top-slicing, do you know what the comparative figures would be? On the subject of the access premium, you call in your paper for an increase to be applied in Scotland. Participation in Scotland is higher, so

what would be the aim of increasing that premium?

David Bleiman: I think that there were four questions there. I will attempt to give an off-the-cuff answer, but we may have to come back with further written evidence. If further education were included, I would assume that the average level of funding in Scotland would reduce, relatively, in any comparison with England.

A significant element of higher education funding in England has been top-sliced and reserved for various purposes, including the modernisation of pay systems. That has tended to mean that, for practical purposes, the comparison between English funding and Scottish funding has been less detrimental to Scotland.

However, it now appears that much of the top-sliced money in the funding for the Higher Education Funding Council for England has been released. It appears that, when or if the current pay offer, at UK level, is accepted, the release of a lot of top-sliced HEFCE money will be triggered. That will make Scotland feel the pinch in comparison and it is one of the factors that has resulted in a statement in the employers' UK pay offer that appears to allow the Scottish universities—and, to be fair, the Welsh universities—a couple of extra years to implement any pay agreement. That concerns us, because the constraint of funds in Scotland is one of the factors hindering UK pay negotiations.

Although much of the additional money in England is for additional student numbers, if funding expands there can be various other forms of expansion. More staff could be taken on or even poached from Scotland. Universities have choices open to them such as, for example, whether to match the increase in student numbers with a proportionate increase in staff numbers or to use the money for other purposes. Those choices are not available in a more steady-state system.

The final point was about the access premium. Although the numbers look good if one considers the proportion of the relevant age group that is entering higher education in Scotland, the social mix remains heavily biased towards the higher-income groups. There is therefore still a need to promote wider access in Scotland. There are still schools that send very few pupils on to higher education.

14:30

Brian Adam (Aberdeen North) (SNP): In a future submission, perhaps you might care to give us a little more information on the scale of endowment income as it affects each of the Scottish universities and the fluctuations in that income. You are asking us to suggest that there should be considerably more investment in higher

education from the public purse. What are we going to get in return?

Dr Stewart: Probably more of the same. As I said, that would be the contribution to the body politic and to Scottish society as a whole.

Brian Adam: Naturally, a trade union will be interested in its members and in its members' interests. Does what you advocate mean that the money will be swallowed up by an increase in salaries and that there will be no significant further outputs in terms of the number and quality of students and research? Is the money just to fund the pay rise?

Dr Stewart: The AUT in Scotland and the UK would argue that the increase in student numbers and the expansion of higher education that has taken place during the past 15 years was largely underfunded. The main underfunding was of our salaries. As far as productivity or efficiency measures are concerned, university staff can hold their heads up high.

Brian Adam: Do you anticipate that any additional funds that the universities in England will get as a consequence of changes made there will be spent on improving salary levels?

Dr Stewart: No, I do not think that all the money will be spent on salary levels in England. The employers organisation will, if its record is anything to go by, spend as little as it can on our members' salaries. I would not suggest that all additional funding that the HEFCE receives should go into pay, but some of it should.

David Bleiman: Some of the money has to go into pay for legal reasons, particularly in relation to equal pay for work of equal value. For many years, universities throughout the UK have been aware that they do not comply properly with the legislation. They are therefore vulnerable to equal pay cases. A significant amount of money is needed to introduce job grading throughout the UK to ensure equal pay for work of equal value. A lot of our women members need to be paid more.

Brian Adam: Surely that is a detail of how the money is going to be spent on improving salaries.

David Bleiman: Yes, I think—

Brian Adam: We might impute motives to Westminster on a variety of things, but I do not believe that the purpose of the white paper was solely or even principally to address salary problems.

David Bleiman: That might come under the label of modernisation; quite a bit of the HEFCE money is intended for that purpose.

Brian Adam: I hope that I represent the public interest. What will the public get as a consequence of the requests for more money, other than less discontented and better-paid university staff?

Dr Stewart: There is nothing wrong with that, surely.

David Bleiman: I could give a very long answer to explain all the benefits that Scotland gets from the university system, but there are many recognised benefits in terms of transfer of knowledge to the economy and development of the knowledge economy. Evidence-based improvement of public services can also be attributed to transfer of knowledge from the university system, as can the provision of the graduate work force that is now required in many professions and industries. Much work has been done on the multiplier effect for the rest of the economy of spending on universities. I could go on, but there is plenty of evidence to show—

Brian Adam: As far as Mr Cubie was concerned when he appeared before us last week, the evidence is that, despite the fact that 51 per cent of our 18-to-30 cohort enjoys the benefits of higher education, we are not seeing those benefits reflected in Scotland's gross domestic product. The purpose of my question was to ask what benefits there were for Scottish society and the Scottish economy as a whole.

David Bleiman: You would have to postulate a Scotland without the university system and work out what the GDP would be then. Your question is a bit unfair in that sense.

Brian Adam: As a guardian of the public purse, I think that many people would not regard it as unfair. A lot of the work that is going to happen in the next few weeks and months will be to find appropriate comparisons. Christine May raised a significant question with regard to higher and further education. We also heard the Deputy Minister for Enterprise and Lifelong Learning saying on the radio this morning that Scotland does very well in terms of population share. What does the Association of University Teachers feel is the appropriate comparator to use in making judgments and assessments about the impact of potential changes south of the border and in arriving at a Scottish solution, with additional public funding or by other means? What comparators should we be using?

Dr Stewart: As Tony Axon explained, assessing the present situation is difficult and, on funding, we have to be careful that we are not comparing apples with pears. The funding councils do not all fund the same things. For example, the Scottish Higher Education Funding Council does not have anything to do with further education. There is a separate funding council for further education in Scotland, but that is not the case down south.

As has been mentioned, a further inquiry is being conducted to establish a baseline in Scotland on funding for universities. We will be

giving evidence to that inquiry, as will other interested parties, but until the inquiry has come up with its proposals it is impossible to say what comparators could be used. However, the outcome of that investigation could be the source of reasonable comparators between funding in Scotland and funding down south.

Brian Adam: Perhaps I can make my question simpler. Would it be more appropriate to use a population-share comparator than a funding-per-student comparator?

Dr Stewart: Probably not. For instance, we have proportionately more medical schools than the south does, so, per head, our students will look better funded. However, that is simply because we have a larger proportion of more expensive courses in Scotland.

Brian Adam: Is this an area on which you might consider sending us your views in more detail?

Dr Stewart: We could certainly do that.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): All of us around the table would probably agree that recruitment and retention in higher education is important. How do you think that recruitment and retention in Scottish higher education can be addressed, although not simply in terms of pay, which is the only issue that the paper deals with?

Dr Stewart: Anecdotal evidence suggests that, especially in the high-value and high-capital-investment research areas such as biomedicine, if high-powered researchers are given state-of-the-art facilities at a university and one or two endowments are available to members of staff, people will be attracted to that university. As for funding, apart from the issue of pay, the standard of facilities that are available is important. In disciplines that require state-of-the-art machinery and apparatus, high-powered researchers will go to the places that have such facilities.

Susan Deacon: Do you have an evidence base to support that statement, either commissioned by the AUT or from elsewhere? The *raison d'être* of our inquiry is to investigate what can or should be done in Scotland, depending on developments south of the border, and the issue of recruitment and retention is paramount. I presume that the AUT has been concerned to find out how Scotland can secure some competitive advantage—or, at the very least, can ensure that it is not disadvantaged—in competing for staff resource in the UK. I am interested to know what data are available to you that you can perhaps share with us.

David Bleiman: You will be aware that the Scottish Executive has established four working groups. The staffing working group has carried out

work on issues relating to the brain drain and the movement of staff in and out of Scotland. However, it is too early in the work of that group for us to say that we have anything that we could call hard information from it.

Susan Deacon: Having said that pay is not the only issue that affects recruitment and retention, I agree that it is clearly a significant issue. How do you believe that pay policy for higher education in Scotland should be determined in a devolved situation, based on either the current situation or the potential situation following the introduction of top-up fees south of the border? I have re-read several times the section of your submission that deals with that issue, but I remain slightly confused. I see many options that have been rejected, but there is less clarity about how you feel that the Scottish interests would be best addressed in a devolved situation. Do you wish to remain part of a UK pay settlement? If so, what safeguards ought to be put in place to ensure that Scottish interests are best represented?

Dr Stewart: If we take top-up fees out of the equation temporarily, the situation is that pay negotiations are UK-wide. Our policy commitment is that that should continue. UK-wide organisations are on both sides of the bargaining table for pay negotiations. If a pay deal is agreed through the negotiating machinery, I see no problem in rolling out the percentage value of the pay claim throughout the UK.

14:45

Susan Deacon: Your submission says:

“As pay negotiations are on a UK basis, any shortfall in funding from the devolved countries results in a decrease in the overall pay settlement.”

I apologise if I am being slow on the uptake, but will you clarify what that sentence means?

David Bleiman: That might be shorthand for the point that I made about the current offer. The current UK pay offer—which applies to all groups of staff, not just academic and related staff—says:

“Institutions will be expected to use their best endeavours to introduce these new pay arrangements from 1 August 2004 or as soon as practicable thereafter, and to complete implementation by 1 August 2006, subject to the funding arrangements in the devolved administrations.”

We understand that funding pressure felt by Scottish employers has led them to insist that they need an extra couple of years to implement what I might call a UK offer. In a sense, that is an example of funding problems in Scotland placing a downward pressure on the UK pay negotiations.

As Bill Stewart said, on the broader issue, we favour UK pay bargaining. AUT Scotland has considered that issue a few times in the past 20

years. Just a few years ago, we strongly supported UK pay bargaining. If that broke down, Scottish pay bargaining would be the second-best option. We oppose local pay bargaining, which would be an expensive system for universities to operate.

Aside from London weighting, which is a time-honoured variant in the UK bargaining system, there are signs that universities in England are breaking away from the UK pay negotiations. Imperial College London and more recently the University of Nottingham seem to be breaking away from the UK pay negotiations in an upward direction, although with a question mark over whether they can guarantee equal pay for work of equal value in their local arrangements, which might be loose and discretionary.

We in Scotland would have difficulties if the English part of UK bargaining broke up. We will not press for a Scottish breakaway from UK bargaining, but we might have to consider the situation if UK bargaining fell apart because English universities broke away.

Mr Richard Baker (North East Scotland) (Lab): I have two quick questions on cross-border flow, one of which touches on Bill Stewart’s most recent answer. First, you said that staff might be enticed to England, where top-up fees could give institutions increased resources for research and better facilities. Would maintaining UK pay bargaining minimise or at least reduce the number of staff who are lost to English universities because of pay?

Secondly, I want to pick up what is said in your written evidence about cross-border flows of students. Your submission says:

“It is anticipated that UK students will come under the system of their home country, but there is a problem of how fee levels will be applied to Scotland.”

Are you suggesting that there is potential for a scenario in which increased fees for students in England resulting from changes that are made by Westminster legislation might mean that English students studying in Scotland would also pay increased fees? Will you clarify that?

Dr Stewart: I do not know that we can clarify the issue definitively, but you have certainly described what we meant. At present, students who are not domiciled in Scotland must pay the fee that is relevant to their part of the UK. Thus, English students who come up to Scotland must pay the fee that they would otherwise have paid if they had gone to a university in England. That is our understanding of it. If England goes ahead with the introduction of top-up fees and that rule is maintained, there will be no advantage to English students in coming up to Scotland.

Mr Baker: That could be the case only if one fee were to be applied to all English students rather than, as we expect, if a top-up fee were to be applied by individual institutions.

Dr Stewart: That is right. Individual institutions will have the option to increase the fee up to a maximum of £3,000.

David Bleiman: I will answer Richard Baker's first question. UK pay bargaining provides some safeguard against what we might call excessive poaching of staff between institutions—it at least provides a framework. However, there is considerable discretion within that framework as to what people are paid. In particular, I draw attention to the fact that, although there is a professorial minimum salary, there is no professorial maximum salary. Universities are therefore free to offer megabucks to poach a professor from another university.

The Convener: I want to pick up one or two points. Your submission states:

"The HEFCE funding letter also encourages an increased awareness of teaching performance in promotion criteria."

Part of the white paper is about improving and rewarding excellent teaching. It was not clear from the submission whether you are in favour of that. Will you expand on that?

David Bleiman: SHEFC has adopted a different approach towards improving people management in universities. Let me contrast that with the HEFCE approach, which is more prescriptive. The prescriptions probably come from Charles Clarke to HEFCE and then from HEFCE to the English universities. Quite a bit of top-sliced money is reserved in order to provide the carrot to the English universities to comply with the prescribed policies.

For Scottish universities, although there is tremendous room for improvement in people management—indeed, the issue of job security and of casualisation has been of concern to the Scottish Parliament—SHEFC has adopted a different approach that involves less top-slicing under what is now described as the new condition of grant. Rather than top-slice chunks of money that are released only when certain things are done, SHEFC sets broad conditions in the block grant that it gives to the Scottish universities to fund teaching and research. The Scottish universities must demonstrate that they are putting in place policies to improve their broad people management.

There are question marks as to which of the two approaches is the more effective. Broadly speaking, we would favour the SHEFC approach if it can be made to work.

The Convener: I have two further points. Your submission contained a section on part-time students that included various suggestions about fee payment levels, loan scheme levels and bursary funds. All those suggestions would seem to increase expenditure. Can you put a figure on the cost of that?

Dr Stewart: The short answer is no, but we do provide that in a supplementary written submission.

The Convener: Surely you would not urge us to do something without knowing roughly what it might cost.

In a nutshell, the reason why we are having the inquiry is the potential for lots of students to come from England to Scotland and lots of our staff to go down to England at the same time—that is clearly an over-simplification. If you are right about what might happen with fees, students moving up here might not be a problem, because the money might come with them. What is the carrot for staff movement—the salary or the research facilities? How important is each?

Dr Stewart: That is a difficult question to answer on behalf of people whom I have probably never met. Some are attracted by one and others by the other. Apart from a few—and I mean very few—high fliers in salary terms, particularly if we take out the medical professors, people do not work in universities to make a lot of money. We all have to pay the rent or the mortgage, and we do not like our salaries to fall far behind comparable groups, but most academic staff are not in it for the money. Therefore, in answer to your question, the balance of attraction would be on the side of the facilities.

Academic staff are highly motivated. In particular, those who are interested in highly specialised research in electrical engineering and in nanoelectronic and biomedical research—all of which are expensive to carry out—are attracted by good facilities. Think of the high-profile people who have gone from the United Kingdom—whether from Scotland, England, Northern Ireland or Wales—to the United States. Most of them go there for the facilities that are available rather than for the money. That is anecdotal and only my view.

The Convener: As there are no more questions, I thank you for your evidence, which has been helpful.

I should say at this stage that we have had apologies from the deputy convener, Mike Watson, and that Chris Ballance is running late, but hopes to attend.

We now have witnesses from Universities Scotland: David Caldwell, who is the director; Professor William S Stevely, who is the convener

of Universities Scotland and the principal and vice-chancellor of the Robert Gordon University; and Professor Joan Stringer, who is the convener of the Universities Scotland learning and teaching committee and the principal and vice-chancellor of Napier University in Edinburgh. I think that Professor Stevely is going to say a few words by way of introduction.

Professor William S Stevely (Universities Scotland): Like the previous witnesses, we are glad that the committee is considering this important topic. The issues that face Scottish higher education are serious and, unless they are addressed, could have damaging consequences not only for higher education, but for the economy.

We begin by saying that it is refreshing to hear routinely—from the Prime Minister downwards—the frank acknowledgement that the university sector is underfunded. That it is certainly the case in England. In the case of my university, we submitted what we felt was a fairly modest and by no means over-elaborate bid to the comprehensive spending review 2002. However, we fell short of the figure that we asked for by a quite substantial amount and will continue to do so until the end of the review period. I will return briefly to that point in a moment.

15:00

An added pressure that arises from the white paper is the potential for further advances in England. That factor needs to be addressed. However, rather than spend time talking about potential comparators with England—although I am happy to address that point—our submission draws attention to the changes that the Executive has made to date in respect of its expenditure priorities. The result of those changes is that we are less well off now than we were a year or so ago in terms of the proportion of expenditure that forms the basis for a good part of our calculations.

Scotland falls below the norms that could be expected in reasonable comparator countries. Although Scotland might be around the Organisation for Economic Co-operation and Development average, if a comparison is made with countries such as those in Scandinavia, we fall behind.

Perhaps it would be useful at this point if I were to address up front a particular comparison that needs to be clarified: the comparison with England that suggests that, per head of whatever, institutions in England are significantly better funded than we are. It is certainly true that, because of the higher participation rate in Scotland, we spend more on higher and further education per head of population in Scotland than is the case in England.

To examine the difference between England and us, we need to make a comparison between what my university gets and what an equivalent university in England gets. Universities Scotland commissioned a piece of research to examine that question and we are happy to pass a copy to the committee. The research paper poses questions such as, “If we took all our students—whether medical students, dental students, business students or whatever—marched them across the border and asked HEFCE how much it would give for each student and compared that amount with what we get from SHEFC, what would the figures be?” The answer is that English universities get about 3.5 per cent more per student than Scottish universities do. The committee will appreciate that the figures are a couple of years old—those were the data that were available to us.

People talk about English universities being 20 per cent less well funded, but that is just not true. The committee should take such figures with a pinch of salt. We believe that our study is the best that has been done. Furthermore, we believe that the advantage is already being eroded because of some of the things that have happened in England not as a result of the proposals for top-up fees but simply because of the spending review in England. That is particularly the case in the area of capital funding.

Given that it is difficult to give a firm figure, we are happy to co-operate with the Executive in trying to tie down some of the numbers. Indeed, I chair the committee that is looking into income streams. We believe that the figure will probably reduce to around 3 per cent by the time that we come to the end of this spending review period.

We believe that our submission demonstrates that Scottish universities need more money to enable them to compete effectively not only with England but in a European context. Our belief is based on sound figures to which I would add our concern about the extra funds that might go to English universities as a result of top-up fees.

I will leave it at that. My colleagues and I are happy to do our best to answer any questions that the committee might have.

The Convener: Thank you. We would appreciate having sight of the research paper.

Professor Stevely: Can I interrupt you? My colleague has told me that I managed to make a slip of the tongue. We are 3.5 per cent better off than the English—not the other way round. If I said it the other way round, I apologise. Their additional funding means that the figure will be about 3 per cent, we think, by the end of the spending review period. However, we grant that the figure was 3.6 per cent as of 2001-02—in addition to our funding. However, they do not have 20 per cent less funding than us—or any figure like that.

The Convener: Okay. If we leave aside the various comparators, the message is that, even if the English white paper proposes no change, people will say that the sector is underfunded. Is there a time to which we can go back that was an age when people thought that they did not need to complain much about funding, if not exactly a golden age?

Professor Stevely: Certainly it is not difficult to show that funding per student over the past 15 years or so has declined by 40 per cent. I have been around teaching and universities since before that time and it was much easier to teach with staff to student ratios that were of the order of 10 to 15 students per member of staff, depending on the subject area, than it is now with ratios of 20 to 30 students per staff member.

Staff to student ratios have doubled and life is much tougher. People have delivered great efficiency gains, but at considerable cost in terms of pressure, for example, on staff time to engage in research. That is why all the evidence shows that we do not cross-subsidise public money into our pet research projects. My staff often work beyond the call of duty—virtually into their spare time.

David Caldwell (Universities Scotland): I will briefly add to that. It is not a question of looking back to a golden age. In my view, it is never a good idea to look back—let us look forward. Circumstances have changed and universities have delivered huge increases in efficiencies. We are not going to say that those gains must be given up, because many of them are extremely welcome.

The key issue is looking to the future and remaining competitive. We must consider where our main international competitors are going and ensure that we can keep up with them. That should be the focus.

The Convener: Can you expand on the nature of the competition and where it is?

Professor Stevely: There is competition in staff recruitment, which you discussed earlier with our AUT colleagues. That will continue to be a concern, particularly if additional funding goes into research resources. It would not be difficult to do a couple of case studies of areas where we have tremendous strength in Scotland to discover why that is the case. The example of Dundee is a very good one—it is clear that good staff attract more good staff to work with them and that the Wellcome Trust facilities are really first class, which also attracts people to work there. The key is having a mixture of money for salaries—I do not discount salary as an important factor—and for facilities, which are clearly important.

On student flows, it is true that Scotland recruited an increasing number of English

students in the early years of the system from 1992. However, the evidence over the past couple of years is that that trend has slackened and is beginning to reverse. Therefore, given the scenario that was painted for you earlier, it might well be that, rather than floods of English students coming north, fewer English students will choose to come to Scotland because they will perceive that the facilities and so on are better in England.

On research funding, if an institution has good research facilities and some funding for research, there is a leverage effect. Therefore, with the funding that they get from SHEFC, Scottish universities compete very well in terms of United Kingdom research funding from the research councils. If our facilities and staffing levels begin to slip, we will compete less effectively and get less UK research money, of which a disproportionate amount has come to Scotland.

Murdo Fraser: I have two questions and, if you will allow me, I will ask them together, which will allow you to answer them together.

Paragraph 19 of your written submission sets out your proposals for appropriate levels of funding to bring us up to what you feel is an acceptable level. In paragraph 6 you speculate that, depending on which tuition fees scheme might be introduced, there could be an increase of £1 billion or £1.4 billion in the income of English higher education institutions. Can you say what increase would be needed on the figure being put into Scottish institutions to prevent them falling behind, if the increase in England comes about?

Professor Stevely: I can give you a figure. Our best guess is that, given a rough figure for tuition fees of £3,000 per head, an extra £180 million would be required in Scotland to match the figure of around £1.8 billion. That is based on tuition fees being set at the full £3,000, but we do not know whether the fees will be set at that level or whether there will be variation. In an interview in *The Herald* this morning, Graeme Davies said that, at present, his institution, like other institutions, receives around £1,100 per head, which is paid by the Student Awards Agency for Scotland. However, he also said that if the English system were in place and tuition fees here were set at £3,000, that would provide approximately an extra £15 million for his institution, which is a lot of money.

Murdo Fraser: That extra £180 million, on top of what you say is required at the moment, would take the figure to nearly £300 million a year. Is that the sum that you would look for if top-up fees were introduced in England?

Professor Stevely: The introduction of top-up fees would increase the figure further. We have said that we are looking for £100 million in the short term. We would want to consider the matter

further, but perhaps the figure would not be far short of £300 million.

Murdo Fraser: Paragraph 17 of the Universities Scotland submission refers to something that you mentioned a moment ago, which is the issue of cross-border flow in students. The second sentence of that paragraph states:

“Some additional students may be attracted from England, but a simple mechanism such as the practice already in use of charging English equivalent fees to English domiciled student would allow this issue to be easily handled.”

That is a rather courageous statement. I understand how the proposal might work if every English institution charged the same, but if tuition fees were variable, how would we assess what an English student coming to a Scottish university would pay as a top-up fee? How would it play in middle England if English students who came to Scotland had to pay £3,000 or whatever a year while Scottish students did not? Would such a situation make for happy debates with our Westminster colleagues in the House of Commons?

David Caldwell: A difference already exists between the way in which students domiciled in England and those domiciled in Scotland are treated if they study in Scotland. My main point is that the possibility of a flood of English students is hugely exaggerated and that we should not worry about that, because it is not about to happen. If there were a suggestion of a significant increase in the number of English students coming north of the border, which would threaten the number of available places for Scottish students, we would have to react and we could do so in various ways.

I agree entirely with Mr Fraser that, if the fees in England are variable, reacting to that situation will be slightly more difficult. However, it is not beyond the means of an ingenious nation to set the fee at a level that keeps the situation roughly in balance. I emphasise that we need balance because we do not want to discourage English students from coming to Scotland. It is a sign of Scotland's reputation that we attract talented people to study and perhaps to stay, live and work in Scotland. We want the traffic from south of the border to continue at around its present level, although there will be ups and downs from time to time.

The committee's briefing from the Scottish Parliament information centre suggested that the number of students coming from England tended to increase during the 1990s. However, it is worth saying that, after the changes in student financial arrangements, that trend has slightly reversed so that the number of students who come from England is slightly declining when compared to the pre-1999 level. We must keep the issue in perspective. I do not believe that it is the main

issue and, in so far as it is an issue, we can deal with it.

The Convener: I welcome Des McNulty to the committee.

Brian Adam: I refer to your submission. Paragraph 11, which is headed “Research funds, all sources”, states:

“the offer of more attractive employment packages, together with these better facilities, will lure south the most gifted young researchers beginning their careers and sometimes whole research groups.”

To use a football analogy, the Bosman ruling made a major difference to the transfer market, and the old firm desperately desire to play in the English premiership. However, the only football team to have changed its jurisdiction is Gretna, which came back north of the border. You suggest that the convener's point about a great northward migration of English students is far wide of the mark, but could the suggestion that researchers would be willing to transfer south of the border, individually or en bloc, also be wide of the mark? If, as Mr Caldwell suggests, the main problem is to do with the funding of research teams, could we not address the desirability of people coming to Scotland to work in research? Rather than consider the overall university sector, could we simply address the research side?

15:15

Professor Joan Stringer (Universities Scotland): The comparison with football teams is interesting but the transfer market is rather different. Traditionally, the movement of academics has been a flow throughout the United Kingdom. Academics are attracted to institutions that have not only good research facilities but other good researchers with a good reputation in their particular discipline. Academics are often loyal to a discipline as well as to an institution or a team or whatever. In my institution, we are starting to see evidence of staff becoming a little nervous about potential differentials, not only in pay but in the facilities that they will be able to access in different institutions. They want to work in modern laboratories with high-tech equipment, and in an environment and under an ethos that allows them access to similar researchers. That is one of our key issues.

As Professor Stevely has said, we do extremely well in terms of research funding. At the moment, we have a competitive advantage but we fear that we will gradually lose that advantage. One of our strengths has been our funding of excellent research wherever it occurs in our higher education institutions. In Scotland, it is easier for researchers to work together because of the cohesiveness of Scottish higher education.

However, if they are able to work together, and share equipment and facilities—as happens to some extent already—but our ability to offer attractive facilities declines, they will look elsewhere. Research funding should allow institutions to work more collaboratively so that we can allow staff—in the different institutions throughout Scotland—to participate in excellent research activities.

Professor Stevely: To pick up on the second part of the question, I do not think that it would be appropriate to say that we will put extra money only into research. Extra money is needed for research, but as part of an overall package. Whatever you may read, there is synergy between teaching and research. For an institution to be able to teach at advanced level—honours, masters, and research degrees—it needs research-active staff.

To attract young people into the profession, we must have role models that make them feel that that is where they want to be and where they want to go. We will have more difficulty in attracting young people if we lose the research stars to other places. There needs to be a feed into the teaching function as well, so that there is synergy between teaching and research.

Mr Baker: I am intrigued by your point—if I read you right—about levying a fee on English students that come to Scotland to reduce potential cross-border flows. Is that possible under European legislation? I am thinking back to the Scottish anomaly whereby the Scottish Executive started to pick up the tab for the fourth-year fees of English students in Scotland.

David Caldwell: We do it now—that is the simple answer to your question. English students who come to study in Scotland pay a fee and Scottish students do not.

Professor Stevely: Students from Germany or France do not pay a fee. We are not allowed to discriminate against other countries in the European Union, but we can discriminate against other countries within the United Kingdom.

Mr Baker: That answers my point well.

My second question is on general funding issues. Before May, the Executive made the point that it did not think that the increase in funding for English universities as a result of the white paper proposals would create that much of a gap; it said that there would be a gap only in capital funding. Why do you disagree with that so much?

Following on from that, I have two questions about proposals that could alleviate the situation. I understand that the new proposals will mean more funding for UK research bodies, from which Scottish universities currently get funding. Does

that offer potential for Scottish universities to get increased funding?

The second question picks up on a point that Murdo Fraser made, which Arthur Midwinter also made when he gave evidence on 2 September. The increase in the number of students to 50 per cent of those who are eligible to participate in higher education that is forecast in England—we already have a higher percentage than that—will mean an increase in spending on those students in the relevant department, which will have a Barnett follow-on to extra funding here. Might that not increase funding for institutions, to alleviate the differences?

Professor Stevely: You asked several questions. I will try to deal with aspects of them, but will need to rely on my colleagues to help me with the bits that I have forgotten about.

In England, it is recognised that universities are underfunded and that the way to pay for that is to ask the students and the graduates to pay more money. Forget that for the moment. In Scotland, we need more money to get us back to the position that we were in a few years ago; we also need more money to bring us up to OECD norms and to the levels in our competitor countries. If England manages to introduce a substantial fee on top of the existing fee, that will mean a lot more funding in England, which will not come in until after 2006. That is the time scale that we are talking about. We are saying that there is a short-term need—we need £60 million now—and that, although we will have to wait to see what happens, we could fall even further behind in 2006, if the English institutions begin to get substantial sums as a result of fee income.

We acknowledge that there are imponderables, but we do not want someone to say that we should sit on our hands and wait to see whether the English institutions get any money. We are saying that we need money now, thank you very much, but we want to keep our eyes on what happens in England. We have done the rough sums and we know what the damage would be if the English institutions get additional fee money. We are concerned about that.

David Caldwell: I want to expand on two aspects of that answer. First, I will distinguish between two parts of the English white paper, because there are two chunks of extra money in there, as Professor Stevely explained. The first chunk is to do with the current spending review periods. Mr Baker is right to say that, when one does the detailed analysis, one finds that the greater part of the difference between Scotland and England is to do with capital spend. However, that is by no means trivial—a huge amount of money is involved. Scotland will be gravely disadvantaged unless we are prepared to invest at

the same sort of level as England will during the next three years. That is a critical part of the reason for our present bid—we want to compete effectively and to invest on the same scale as England.

In 2006, there might be a quite separate increase in funding resulting from the income that higher tuition fees might generate in England. That is an additional amount that we have to worry about further down the line.

The other aspect on which I would like to comment is the Barnett consequentials. Mr Baker is quite correct that the additional English spending will generate Barnett consequentials. The sad truth is that it will generate Barnett consequentials for Scottish Executive spending as a whole, but the Scottish Executive has not chosen to invest that consequential money in higher education. The Executive is not increasing its public expenditure on higher education in Scotland at the same rate as the UK Government is doing in England.

Christine May: My question was on capital, but you have probably dealt adequately with that.

I note, however, towards the end of paragraph 7 of your submission that you talk about collaboration and the success that we have traditionally had. As you do further work on this matter, what advantages can you see from the synergies of collaboration, as they might expand, given the situation that we are in?

I also have a question on the opportunity that is presented by the investment in intermediary technology institutes. A significant sum of money is going into those. Should that funding be additional, or should it be part of the Executive funding that might be counted in?

Professor Stevely: As you might guess, we think that at the moment the investment in ITIs has to be treated as additional for a variety of reasons, not least because the concept is new, although we are willing to work hard to help it succeed. It must be recognised that there has been a substantial change in attitude in universities, certainly over the period in which I have worked in them, in that on the whole researchers are much more open to driving forward the commercialisation agenda than ever before. However, additional funding is needed to take the commercialisation forward. It would be most unfortunate if it were simply seen as somehow or other paying for the work that needs to be done to get to the point at which commercialisation becomes possible.

Effectively, we are talking about contract-funded research. The intermediary technology institutes will say, "We want this piece of research done, and we will pay you to deliver it." That is the kind of deal that I do with business and industry as

often as I can manage. I see the situation with intermediary technology institutes as no different from that. I hope that the consequence of those institutes will be to generate economic success for Scotland, in particular by getting some of the small and medium-sized companies to adopt a research culture. I think that they are open to that, whereas some of our larger companies do not invest heavily in research and development, and I doubt if they ever will. Certainly, the multinationals tend to invest in research and development elsewhere. I see the ITI money as additional, and we are happy to work hard to try to ensure that the institutes succeed. It is a big investment.

Professor Stringer: I have a point of elaboration. I re-emphasise that the funding is not for universities—it is funding for which universities will be able to bid in competition with a whole range of other organisations. I am sure that you are aware of that, but it is worth re-emphasising. In fact, there is no guarantee that that money will remain in Scotland, because a successful bidder may come from elsewhere, such as Europe or the rest of the UK. It is not universities' money, but of course we hope to access significant amounts of it.

Christine May: I expected that answer, and I think that you are right. Given that that is the case, and that those resources are not being seen as a source of potential funding, we are looking at setting up a capital fund somehow, to compete with the capacity of the English institutions if top-up fees are introduced. What thoughts do you have on how that might be done?

Professor Stevely: If the question is about where we would take the money from in order to make £100 million available to us in the short term, then if I may say so, £100 million of planned expenditure in higher education is better than a large unplanned surplus at the end of the year. There is scope for looking hard at the way in which money is spent to ensure that it is spent in a planned way. There is scope to provide what we need without my having to rob nursery schools; I would not wish to do that.

15:30

Susan Deacon: I will ask about collaboration, which Joan Stringer mentioned a moment ago. There is a section in the Universities Scotland submission about the value that could be added through greater collaboration, which is in turn linked to the importance of focusing on excellence. Collaboration and excellence are comfortable, cosy terrain. Will you elaborate on how much you are able and willing to enter the less comfortable terrain of considering not only developing the excellent, but reducing the less excellent—be that the less excellent course, department, institution or piece of estate?

Professor Stevely: We must push for excellence—in teaching for example. Scottish higher education over the past 10 years has demonstrated a strong commitment to teaching, not only to show how good it is, but to work hard to improve it. The quality arrangements into which we have entered in agreement with the funding council show that our agenda is to enhance teaching quality. We would all agree that, if we find an area that is failing, it must be improved. That must happen. We cannot have areas that are not teaching to their competence.

On research, one has to be careful. We have fallen into an unfortunate position. Committee members who have followed the research assessment exercise will know that, under that procedure, departments can get a variety of grades. The top grade was 5* until a fairly arbitrary 6* was introduced. In England, the proposal is that only those departments that are rated 5 or 5* should be funded, which would conform to the idea of funding the excellent and getting rid of what is not excellent. To suggest that 4-rated departments are not excellent is baffling—it beggars belief. A unit of that grade is described as being required to have substantial work of international significance.

We are so concentrating things that even the Americans are beginning to smile. We are concentrating research activity in the United Kingdom far more than in any other country in the developed world. The proposals in England take that to an absurd degree.

Only last week, the current president of Universities UK, Professor Ivor Crewe, gave four examples of research that produced valuable commercial outcomes. I will refer to them quickly. They are: the heart pacemaker, which was developed at the University of Birmingham; total hip replacement, which was developed at the University of Manchester; the portable defibrillator, which was developed at Queen's University Belfast; and the work on liquid crystal displays by the University of Hull's chemistry department. None of that work happened in the so-called golden triangle. That was his point. Three of the four departments were rated only 4 in the 2001 RAE and had increased their ratings from a 3a or 3b since 1992.

One must be careful. We want to help departments to improve. In my view, some of the 3a or 3b-rated departments are the seed beds for future 5 and 5*-rated departments. It makes no sense to take a flamethrower to them.

Susan Deacon: Will you say a little more about what kind of collaboration you think will produce the greatest added value?

Professor Stevely: At the moment, there are some very good researchers, in twos and threes,

in departments in institutions that are not particularly strong on research. To find formal ways of linking those individuals with others in departments that have a much greater critical mass would be valuable. That kind of proposal is now beginning to be put on the table.

If you saw today's interview in *The Herald* with Sir Graeme Davies, you will know that he mentions the potential for a Scottish institute of physics. In an institution in which I worked, there was one person in a physics department who was extremely good, but a bit lonely. If a formal way could be found to ensure that that person could benefit from interaction with the University of Glasgow, the University of St Andrews and others, that would only be beneficial. It would enable him more readily to obtain the kind of research assistance that, over time, would build up an area of research in which, instead of one individual with their own little node of excellence, there would be a mix of researchers. We are keen for there to be more sharing of expensive equipment, for example, wherever that can be done. There are many examples of that sort of practice already, but we would like to take it further.

David Caldwell: That is important for the retention of good research staff, to which Mr Adam referred earlier. I would not want to suggest that there is a danger of an immediate flood of staff across the border. Frankly, there are not enough of them to represent a flood. However, if we cease to be competitive, it would not require all that many people to leave for serious damage to be done, as the pool of staff is not huge to start with. When things get really tough, we will lose the very best people, who are employable not just in Scotland and England, but pretty well anywhere in the world. We need to make use of everything that we can to help capitalise on Scotland's advantages. One of those is Scotland's compact size. We are quite good at collaboration already, and there is a spirit in the sector to make that collaboration even stronger.

One of the strong messages that we wish to convey to the committee is that, although Scottish higher education needs more money invested in it, we will get more for that money because of the way in which it can and will be used in Scotland.

Professor Stringer: We have been concentrating on research, but there is also potential for greater collaboration in other areas of activity. There is a great deal of collaboration across the university sector on changing the nature of and examining the quality of the learning environment and teaching provision, so much so that, with the development of the Scottish credit and qualifications framework, Scotland, unlike the rest of the United Kingdom, seems to be at the forefront of developments in Europe. In Scotland,

we have adopted a rather different approach to enhancing the quality of teaching. We believe that our approach is superior to the system in the rest of the UK.

Many institutions are now looking into the provision of non-research, non-teaching services, including libraries and other types of administrative services. There are now initiatives on how we might share some of those services on a Scotland-wide basis. That would not just gain efficiencies; it would liberate some resources, so that they could be put back into core learning, teaching and research activities. We are seeking to undertake more activity on those other services using the investment that we have suggested be made.

Mr Stone: I wish to go back to an earlier point. I might have missed something but, as I am a history graduate, you can forgive me for that. I wish to explore and make sure I have got right the matter of capital spend. Reference was made to the two parts of the white paper. I am intrigued—and this is where I ought to know my stuff, but do not. Does one take it that, in general, university capital spend is financed from a revenue settlement from Government? If that is correct, what other creative methods of capital spend do you use or consider? Tertiary education uses public-private partnerships, and you have spoken about collaboration. It is possible that Napier University, for example, could collaborate in building bright, sparkling new labs or lecture theatres. As we come to consider what to do about the white paper, we need to be rigorous in our understanding of the financing of capital spend.

Professor Stevely: Effectively, the white paper announced outcomes for the 2002 spending review and said that the UK Government wishes, in the next stage, to introduce top-up fees. There are funding streams for English higher education that will run from now through to 2005 and then top-up fees are to be introduced in 2006.

Additional capital spending was allocated to English institutions whereas in Scotland there is a single block grant and capital expenditure is not identified. We no longer have a situation where if I want a building I knock on the door of the funding council and it will give me £X million. I am expected to find a way to fund major capital expenditure through revenue and any other creative means that I can. I assure you—Joan Stringer might want to talk about this too—that we will use any system that seems to offer us an advantage.

The only private finance initiative that I know of in the higher education sector was for part of the new hospital in Edinburgh, which is for the University of Edinburgh's medical school—the PFI was wound into that. Others borrow money, sell assets and plough the money back in, which we

get permission to do. I assure you that I regularly beg for money to fund capital projects and I just wish that I were more successful. Over the past five years we have spent £50 million on new teaching buildings in my university, which has been made possible through careful husbanding of resources, selling assets and ploughing the money back in.

Mr Stone: I have a short supplementary question. In an ideal world—which is beyond our scope—would it be helpful if there were a classical capital allocation along old-fashioned, public-sector borrowing lines?

Professor Stevely: I would prefer to receive a block grant and trust management to get on and do the job with it. It is difficult to find capital sums within the budgets that we have.

David Caldwell: The key point is the adequacy of the amount rather than how it gets there. We must emphasise that when the capital allocation was part of the recurrent grant, the notional amount that was assimilated into the recurrent grant was much less than universities have to spend in order simply to maintain their existing estate, never mind expand and improve it. We have had a real problem in recent years with the adequacy of capital funding.

As Professor Stevely said, institutions have been extraordinarily ingenious in finding ways of getting hold of extra money to enable them to do more than public funding would have allowed. However, something is being done, in really quite a generous way, about the backlog that has built up in England. We have to acknowledge that and respond to it, because it presents us with a big challenge.

One method to which we can resort is borrowing to help with capital expenditure. One of the consequences of improved funding in England is that institutions have hugely increased their borrowing capability. There is a double benefit there; institutions get not only public money but an enhanced capability to go to the market and borrow.

Christine May: That is what was behind my earlier question. If top-up fees are introduced for those institutions, that will give them enormous borrowing capacity. I am interested in our seeking, with you, a solution for Scotland so that it can compete.

Des McNulty (Clydebank and Milngavie) (Lab): I seek clarification. I do not want to suggest that universities have been funded particularly generously, because I know that that is not necessarily the case. However, if we drew up a table, similar to the one in front of us, with a base of 1998 and projected figures for England against those for Scotland, Scottish universities would do

rather better than would English ones. You are talking about a relative increase in funding in Scotland between 1998 and 2002 with England catching up over the following projected period. That is my understanding of the real financial situation and the pattern of expenditure, although it is not necessarily what you conveyed.

Professor Stevely: Earlier we indicated to the committee that, from a baseline around 2000-01, English universities are less well off per student to the tune of about 3.6 per cent. From that baseline, one can extrapolate forward as we have done.

15:45

Des McNulty: If we go back to 1998, the figure is about 5 per cent.

Professor Stevely: We have pretty good figures for 2000-01 and will make them available to the committee.

Des McNulty: You have made much of the onset of collaboration. The threat that you face is less that of top-up fees, than the implications of the Roberts report and of research concentration. Do you believe that collaboration is an adequate response to the threat that the Roberts report poses? If there are pressures on more successful universities such as St Andrews and Edinburgh to look south at what has happened to their immediate competitors, can you secure enough buy-in from the university sector throughout Scotland to deliver all the things that you say it will deliver?

Professor Stevely: I will start by indicating the scale of the problem that we are discussing. If the concentration of resources goes ahead in England in the way in which it was initially signalled in the white paper and other announcements, the number of universities that will be serious research players will be of the order of five. On a pro rata basis, that gives us half a university in Scotland, which makes no sense. Any Scottish university knows that collaboration will be essential if Scotland is to compete. As David Caldwell said earlier, we have the advantage of being a relatively small country in which we know one another very well and are capable of collaborating. Collaboration is necessary—although it may not be adequate—for us to fulfil the Roberts agenda, which is effectively the concentration of research resources. To score well in subsequent research assessment exercises, it is essential that we collaborate.

Des McNulty: My question was a wee bit more probing than that. There are different levels of collaboration: people say that they will collaborate; they talk to one another; they reorganise what staff do to achieve more effective collaboration; and mergers result from collaborative activities. My

experience in higher education suggests that people are comfortable with the first couple of stages, but much more reluctant to make more serious adjustments. In the context of the threats that you face, do you envisage fundamental changes taking place, perhaps on an agreed basis, for collaborative advantage or what is seen as collaborative advantage? Do you have buy-in for that, or is there commitment only to soft forms of collaboration?

Professor Stevely: In the near future we expect to enter into discussions with SHEFC about a much more formal approach to research collaboration than has been taken previously. In my view, that is essential. Collaboration will be much more formal and structured than it was in Scotland before.

David Caldwell: I am not sure that I accept entirely the distinction that is being made between hard and soft collaboration. The key test is to make collaboration effective. Mergers are not always the answer. There are some famous statistics from business concerning the proportion of mergers that succeed. The true measure is how effectively we work together.

If we want to discuss mergers, we should first ask ourselves what other sector in Scotland has reduced in size from nearly 30 institutions to just 20 since 1990 and has largely managed the restructuring process itself—with assistance in the funding of some elements of that process. That is a remarkable testimony to the sector's ability to change and to lead change. I would be particularly pleased if someone could identify another education sector that has delivered that sort of restructuring within a short period. Higher education has demonstrated an ability to pick up challenges and to devise some very effective answers.

Chris Ballance (South of Scotland) (Green): Most of what I intended to say has been covered by the replies to the question about collaboration. Recently I came across the centre for environmental history, which seems to have been formed following a meeting of members of the school of history at the University of St Andrews and the department of history at the University of Stirling. They have created an institution that is providing groundbreaking and interesting research. Do you see that as a new way forward for collaboration?

Professor Stevely: I am convinced that such collaboration will develop over the next year or two. As I said earlier, it will be a necessary but perhaps not completely adequate response to the challenges that we face.

Professor Stringer: We could all cite examples of multidisciplinary or single-disciplinary

collaboration that is happening now in many spheres. If we did so, we would probably be here for longer than we would want.

The Convener: You mention overseas students in your submission. You say that although we have increased the number of overseas students here, England has done even better. Can you tell us why?

Professor Stevely: One factor is the attraction of London. Fine art is one of the subjects that the Robert Gordon University provides. However, overseas students see London as the place in which to study art. We get some of them, but disproportionately they go to London. Subjects such as fine art can have an effect on the overall figure.

I do not want to be unduly critical of the British Council, because it is trying hard to work with Scotland. However, when presenting UK education in the past it has not always remembered that there is also UK education in Scotland. We are working with the British Council to ensure that that tendency is reversed.

It is not easy for me to put my finger on one reason for the difference, but we are all spending time worrying about how we can improve. We are doing quite well in attracting overseas students, but we must keep that up. We do not see overseas students simply as a way of generating money. Between 8 and 10 per cent of students at the Robert Gordon University are overseas students. They bring in resources, but one cannot put a figure on the added value of having a rich cultural mix from around the world in Aberdeen along with our students. That is the main reason why I want to ensure that we do not fall behind and that we continue to bring overseas students to Scotland.

The Convener: Thank you for your evidence.

As previously agreed, we will take item 3 on our agenda, which relates to the appointment of an adviser, in private. I ask members of the press and public and official report staff to leave us to our solitary deliberations.

15:52

Meeting continued in private until 16:08.

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