

The Scottish Government's Response to the Scottish Funding Council's Review of Tertiary Education and Research in Scotland

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Ministerial Foreword



I am proud of Scotland's tertiary education and research system, which is amongst the best in the world. Our colleges, universities and small specialist institutions are real national assets that contribute across a range of social, economic and cultural impacts. They develop people to live fulfilling lives, equipped with the skills and talents Scotland needs; they are brimming with ideas, innovation and research that will shape our economic prosperity and recovery, our response to the climate emergency and our global reputation and networks; and they are anchor institutions that matter in local communities and our work in tackling deep-seated social inequalities and disadvantage. We invest over £1.9 billion each year in this system, educating over 500,000 students and employing 62,000 people direct. And we are proud that tertiary education is free for Scottish students who live here, securing opportunities for everyone to fulfil their potential. We will continue to put the interests of students and equal opportunity at the heart of tertiary education policy.

Over the last extraordinary 18 months, colleges and universities have been vital to our ability to survive the Covid-19 pandemic through world-leading collaborative research, practical solutions to combat the impact of the disease, and pivoting to support students, researchers and staff to keep learning, teaching and researching in the most challenging of times. While Covid-19 brought a profound shock to the system, the decades to come will bring further significant change at pace – shifts in automation, digital developments and artificial intelligence, changes in the world of

work and study, global competition for talent and resources, responding to the climate emergency and our future demographic, health and social care needs.

To examine these challenges, we asked the Scottish Funding Council (SFC) to review how it could best fulfil its mission of achieving coherence, quality and sustainability in tertiary education and research in these changing times. SFC's report - Coherence and Sustainability: A Review of Tertiary Education and Research - was published at the end of June 2021.

I am grateful to the SFC for this thoughtful Review; the analysis that underpins the recommendations; the inclusive approach to evidence gathering and engagement; and the balance it has sought to achieve between ambition and pragmatism. We also extend our thanks to the sector and wider stakeholders who gave their time and insights to help shape the debate, including the expert contributions of the Cumberford-Little and Muscatelli Reports.

The Review itself is comprehensive and wide-ranging. It makes a compelling case for continued, evolutionary, whole-system change that builds from existing strengths, recognises Scotland's particular context and policy drivers, and signals opportunities to work towards a responsive, coherent education and skills system, while sustaining research and knowledge exchange for the future.

The Scottish Government broadly accept the Review's recommendations. We have made some early decisions that set an important context. We recognise that, given the breadth of recommendations, some require a Scottish Government lead, others are for SFC and its Board to consider further, while we expect the sector itself to respond across a number of key areas. In addition, some recommendations will require further development for consultation. In some instances, the pace, scale and timing of implementation will be determined by wider spending and resource considerations. In all areas, it will be important that we work together to design the delivery of the recommendations for improvement and change.

As a government, our ambition is to create the best possible environment for colleges and universities, students and employers to thrive, now and into the future. I look forward to working with you to achieve our ambitions for Scotland's tertiary education and research system.

Jamie Hepburn
Minister for Higher Education, Further Education, Youth Employment and Training

The Scottish Government's Response to the Scottish Funding Council's Review findings

We warmly welcome the SFC Review and broadly accept and agree with the recommendations. This response, in large part, follows the structure of the Review. It sets out what we consider to be the priorities in responding to the review, and articulates the roles of the Scottish Government and the SFC in responding to key recommendations. It highlights where implementation is dependent on careful consideration of the funding implications, as part of future budget processes or further work with stakeholders. This Review has big ambitions against fairly constrained resources. There will be a period of capacity building and prioritisation in order to implement some of the recommendations. In some instances, our response notes where we will need to prioritise time and effort to best effect. We will work closely with the SFC on more detailed implementation plans.

A tertiary sector for the future

The Scottish Government is broadly in agreement with the Review's starting principles and the seven key recommendations for system change. In particular, we agree that these principles underscore the values and approach implicit in the way we develop policy for the future:

- We should take great pride in our world-leading tertiary education and research system and while we know there are areas that can work better, we start from a position of strength and a strong belief in the intrinsic value and transformative power of knowledge and education.
- We recognise that while the Scottish system is unique, the challenges we face are universal and we will continue to learn from other policies and implementation strategies across the UK and internationally.
- We cherish the diversity and complexity of our tertiary and education system given the challenges we face.
- We see colleges and universities as vital ingredients in the drive for economic and social renewal and a green recovery.
- We agree that we should take a whole-system view of coherent tertiary provision and any necessary changes should take account of inter-connections and impacts. We like the associated attributes set out in the Review that look at coherence from the perspective of the learner, employer and for Scotland as a whole. We will bear these attributes in mind as we consider how we will articulate our broad policy intent for the sector, whilst recognising the distinct contribution of each part of the system.
- We agree that accelerated, deeper collaboration will be essential across all parts of the system. We remain unconvinced that reforms in other parts of the UK that are predicated explicitly on encouraging greater competition between providers are appropriate to the way tertiary education and research funding and policy has developed in Scotland. We are keen to support and incentivise active, committed partnerships and collaborations across the sector in learning and teaching, and research.
- We understand that decision-making and agency is present at different levels and that institutions, working together, are often best placed to implement

local solutions and responses, within a broad government-set policy and funding framework.

Overarching ambition

We agree with the headline, top-level ambition encompassed in the seven key recommendations for system change and the critique that underpins them:

- Develop a clear strategic, longer-term vision and intent for the future of tertiary education and research that incorporates multi-year funding assumptions and commitments, and a new National Impact Framework.
- Protect excellent discovery research and developing mission-orientated research and knowledge exchange activities.
- Build capacity and a more systematic approach to the way we collectively plan coherent tertiary education and skills provision and investment, so that it responds better to current and future needs.
- Find better ways to support learning throughout life.
- Ensure the interests of current and future students are protected and promoted.
- Recognise more fully the importance of international education connections and global research standing.
- Galvanise current and future leaders across tertiary education, skills provision and research to work together to effect system change.

These ambitions for system change represent a sound high-level articulation of the drivers for change and improvement that should engage our collective leadership efforts within Government and the SFC, working alongside sector stakeholders over the coming years.

Frameworks for the future

SFC made a number of specific recommendations concerned with setting the overarching frameworks for public investment and the desired outcomes from the sector. We accept the SFC's recommendation that the Scottish Government should set out more clearly its longer-term strategic intent for tertiary education and research in Scotland and will consult with SFC, the sector and stakeholders in developing this further. We aim to give this priority and to have this work concluded at the earliest opportunity. The Cabinet Secretary for Finance and the Economy has confirmed her plans to publish a multi-year resource spending review framework for public consultation alongside Budget 2022-23 and the Medium Term Financial Strategy. The framework will set out the context for any resource spending review, the process for evaluating resource budgets and timetable for publication of the final findings. Although there are dependencies upon UK Government fiscal events in order to publish multi-year financial plans, the framework should provide the catalyst to explore multi-year options for resource funding.

We agree that SFC should lead the development of an associated National Impact Framework, that sets out the outcomes and impact we should expect from colleges and universities, and how they will be assessed. We expect SFC to create this in a way that connects with Scotland's National Performance Framework, which

incorporates the United Nation's Sustainable Development Goals, and in partnership with us, the sector, students and key interests. Given the concerns expressed in the sector about the possible burden that SFC's proposals for a refreshed accountability framework may bring, we also expect SFC to balance rigour and proportionality in the way its accountability activities impact on the sector and the means by which this National Impact Framework is tracked and made operational. The implementation of any framework must recognise the particular function and contribution of each element of the tertiary education system.

In recognition of the fundamental nature of these recommendations we ask the SFC to prioritise work on them in partnership with the Scottish Government.

Dealing with the pandemic years

Within the Scottish Government we have continued to prioritise education in the balance of Covid-19 related harms, consulting closely with clinicians and the sector. We will continue that collaborative work and keep our guidance and approach under constant review throughout the course of the pandemic. We share the sentiments expressed in the Review report that there are real lessons to be learned from the pandemic – in particular, the resilience and adaptability of the sector; and the accelerated innovation and creativity. These are characteristics we are keen to draw from as we respond to these recommendations and as the system adapts for the longer-term. We also recognise the issues that have profoundly affected the student experience and the mental health and wellbeing of students and staff alike. We have provided additional funding to institutions and students' associations, alongside increases in student support to run alongside the responsibility of institutions to respond effectively to the difficulties facing students and staff. We will keep the situation under review.

Sustainability and collaboration

Funding and financial sustainability

The SFC Review report makes a series of recommendations around funding for Academic Year (AY) 2022-23. We provided additional funding of around £190 million for 2020-21 in recognition of the need to fund additional places for Scottish students, protect research, recognise the importance of colleges and universities in supporting people facing challenging job prospects, and support and health and wellbeing of staff and students. We understand that central nature of the recommendations of the review around finance for tertiary education. These matters and funding settlement for future years will be determined by the upcoming Spending Review. We will consider carefully the need to fund additional student places, and the funding that will be required to fulfil our Programme for Government commitment that the total student support package will reach the equivalent of the Living Wage over the next three years, including for estranged students, as part of Spending Review decisions in the round.

This year's publication of multi-year capital spending plans sets the baseline for core research and knowledge exchange grants, and co-funding for research infrastructure to 2025-26. The Cabinet Secretary for Finance and the Economy has confirmed her

plans to publish a multi-year resource spending review framework for public consultation alongside Budget 2022-23 and the Medium Term Financial Strategy. Although there are dependencies upon UK Government fiscal events in order to publish multi-year financial plans, the framework should provide the catalyst to explore multi-year options for resource funding.

We are keen that Foundation and Graduate apprenticeships are a valued core part of tertiary provision by colleges and universities. Foundation apprenticeships are now a core part of the school curriculum, enabling young people to gain valuable work-based experience while studying. Graduate apprenticeships give people opportunities to learn and earn. We provided transitional apprenticeship funding for AY 2021-22. Funding for 2022-23 will be determined as part of the upcoming Spending Review. We will work with the SFC, Skills Development Scotland and the sector to continue to embed and develop Foundation Apprenticeships and Graduate Apprenticeships as a core part of the educational offer. The SFC is already addressing the recommendation for a new one-off scheme to provide students completing their studies with the opportunity to gain an internship or short employment. We welcome and support this activity.

Governance

It is important that we are clear about our response to the SFC's suggestion that we may wish to explore the Office for National Statistics (ONS) classification of incorporated colleges. We understand that strong views were expressed within the sector about the status of colleges as public bodies. We note that SFC has not specifically recommended we take steps to alter the status of colleges, but has requested that Scottish Ministers consider the feedback the SFC has distilled and decide whether further exploration is required.

We have considered this issue and have decided we will not explore it further. We believe that colleges should remain part of the public sector, fulfilling their invaluable public service missions in this context.

The Scottish Government will though explore with ONS the possibility of greater flexibility around the March financial year-end, to support re-profiling income and expenditure to the end of the academic year in July. We will work with the SFC on the practicalities of implementing this flexibility.

In addition, recommendations on the three remaining college Regional Strategic Bodies were set out in the SFC's phase one report. The Scottish Government agrees with the direction of travel the SFC has set out that, when the SFC determines the time is right, it should work with the Lanarkshire Regional Strategic Body to dissolve it in order that both colleges manage themselves as separate regional entities, with direct relationship with the SFC.

The Government accepts the SFC's recommendation that Glasgow Colleges' Regional Board (GCRB) and their three assigned colleges explore other organisational options that secure pan-regional planning, further efficiency gains, the financial viability of the constituent colleges, and retain a Glasgow 'front door' for

students, employers and stakeholders. We expect that this should now move forward to conclusion with a recommendation made from the SFC to the Scottish Government as soon as possible.

The Scottish Government acknowledges that the University of the Highlands and Islands has been working closely with its academic partners to become a more fully integrated tertiary institution that thrives in the future and delivers for communities and other stakeholders in the region, as recommended by the SFC. We would expect it to continue this direction of travel.

Towards a responsive, coherent education and skills system that drives economic and social renewal

We accept the logic behind the SFC's recommendations in this chapter, which refocuses efforts on strategic tertiary provision planning between partners and at regional level. This represents a refreshed approach to skills alignment that responds to the Enterprise and Skills Strategic Board's mission. We expect SFC and Skills Development Scotland (SDS) to work together to maximise the opportunity for this refreshed approach to equip Scotland's people and employers with the right skills for economic prosperity.

Tertiary provision pathfinders and skills alignment

We are impatient to see faster progress on these regional collaborations – Tertiary Provision Pathfinders - and a better demonstration of the responsiveness of colleges and universities, through the optimal alignment of provision, programmes and curriculum offerings to the current and emerging needs of students and employers. Given that, we accept the recommendation to pursue tertiary provision pathfinders that explore better strategic planning at regional level. Government expects the SFC and partners in the selected pathfinder areas to act with pace, to focus on practical improvements, and to share lessons that can lead to improvement more widely across the sector. We also expect to see more regional collaborations quickly established in other regions, able to draw on the lessons of these first pathfinders.

We accept the SFC's recommendation on developing a more strategic and comprehensive Economic Recovery and Employer Engagement Investment Programme for colleges and universities. This is likely to require an assessment of the interaction between this programme and the new National Training Transition Fund and Young Person's Guarantee.

The establishment of an SFC Employer and Industry Advisory Group, and the development of more strategic relationships with NHS Education Scotland (NES) are matters for SFC, but are welcome ways of strengthening a focus on the needs of employers and the delivery of a pipeline of skilled health and social care professionals. We would recommend that the SFC consider how any Employer and Industry Advisory Group they establish interacts with other similar groups across the education and skills system and can help drive the process of skills alignment they are undertaking in tandem with SDS. We have also made our expectations clear about SFC's work to assess college partnerships working with Community Learning

and Development; and oversight of the progress of colleges and universities towards the adoption of the Fair Work First criteria.

Given the SFC's new role in the funding and delivery of Foundation and Graduate apprenticeships, we understand the Scottish Apprenticeship Advisory Board has already invited SFC representation at Board level, which is a positive development. We would encourage an inclusive approach between SDS and SFC to the Board's secretariat, to ensure appropriate material supports its deliberations and helps drive the process of skills alignment between the organisations.

While we received feedback that micro-credentials are already developing organically across the sector (including with funding from Government's National Transition Training Fund), and that international frameworks matter, we understand the SFC's commitment to ensure this provision meets learner need and responds effectively to demand. We are content for the SFC to explore further the development of a national micro-credential framework and would expect the sector and students to be closely engaged in this. Government and the Student Awards Agency Scotland will stay close to this work to ensure it aligns with current and future further and higher education students funding policies.

We look forward to working closely with the SFC and the sector on the assumptions that should underpin future funding models, including an exploration of the way we set targets and support the delivery of learning throughout life. While this is primarily focused on the SFC's own required work on funding models, we recognise the need for a partnership approach, involving government and the sector, in order to test and model the underlying policy and distribution assumptions. We anticipate this work connecting with the recommendation on moving towards a fair and appropriate distribution of investment across the college sector that takes account of the implications of funding national bargaining and the need to make adjustments to return to a more transparent price time's volume model. We would encourage SFC to work with speed in order to effect near-future funding round distributions.

Campuses for the future

We fully endorse the SFC's description of the importance of the physical estate and associated infrastructure that enhances the student experience, collaborations, and community impact while working towards a digitally enabled, low carbon future. The SFC is already acting on our Programme for Government commitment to deliver a medium-term estates strategy and infrastructure investment plan for colleges later this year. We undertake to explore the inclusion of colleges and universities in low carbon estates projects, where appropriate, and work with the SFC and other partners to explore other capital funding vehicles. We expect the SFC, working in partnership with the sector and government, to ensure that this estates strategy takes full account of the digital and net zero priorities we have set out across all sectors and policy areas.

The Review report also highlights three important underpinning drivers for economic and social renewal – responding to the climate emergency; promoting equality, diversity and inclusion; and supporting digital developments. Most of the

recommendations in these sections relate to the SFC's own mission and we encourage the SFC to pursue these ambitions. Where there is a corresponding recommendation for government, for example, in the provision of equitable digital connectivity on and off campus to support learners, we will work with the SFC to explore options for the future. Indeed, we expect progress towards a digital, net zero, inclusive future to be front and center in the development of our future strategic intent for the sector and the National Impact Framework.

Learners at the centre: protecting and promoting students' interests

The SFC's Review report sets out instructive feedback on the lived experience of students that should influence the way expectations and outcomes are defined. The Review recognises the key role students and the student voice play within our system and we welcome the commitment to protect and further enhance the student experience. It is government's expectation that the SFC supports the ongoing involvement of the student voice in all the work that they do. Many of the recommendations in this section on students' interests are for SFC to take forward – in the development of the National Impact Framework, in the re-brigading of its funding programmes for schools, in the development of the Higher National qualifications it funds, in supporting leading-edge curriculum in areas of national importance (e.g. net-zero), and the development of standards. We are content for SFC to pursue these recommendations as part of its ongoing business.

We received feedback on the benefits and disadvantages of pursuing a single quality framework for tertiary education. Some respondents are concerned about the dilution of the university enhancement model while some expressed concern that the distinctiveness of colleges would be lost within one tertiary framework. Others still could see value in engaging colleagues across tertiary education in enhancement of the student experience, in sharing learning and effective practice and in pursuing solutions and new approaches through common endeavor. We are reassured by the SFC's commitment to build on the feedback from stakeholders about what they value within existing approaches and are content for SFC to explore options for a single quality assurance and enhancement framework for tertiary education.

We would expect the SFC to work in consultation with all interested parties, and to strike the appropriate balance between assuring and enhancing the quality of tertiary provision and which recognises the distinct contribution as well as the interconnectedness of each part of the tertiary education system. Given the Scottish Government's intention to move the scrutiny function out of Education Scotland (while replacing the Scottish Qualifications Authority and establishing a new, specialist agency with responsibility for both curriculum and assessment), we expect the SFC to engage fully in the review work being led by Professor Ken Muir.

The Scottish Government is delighted that the sector has reached the interim target on widening access set by the Commissioner for Widening Access, with at least 16% of full-time first-degree entrants coming from Scottish Index of Multiple Deprivation (SIMD) 20 areas. This is a huge achievement, made possible by the collective efforts of the sector, SFC and the Commissioner. There is, of course, no room for complacency. We agree that the time is right to refresh our widening access work, including the way we measure and invest funds, set targets and track widening

participation. We consider the Commissioner to have played a fundamental part in this journey, will retain the role for the foreseeable future.

Sustaining research and enhancing knowledge exchange and innovation

The Scottish Government champions our cutting edge, world-leading research capabilities and understands the immense social, economic and cultural value research and innovation brings to Scotland, and its wider contribution to dealing with many of the challenges of our time. This excellence is underpinned by the stable provision of core capital funding from the Scottish Government, administered and distributed by SFC. We remain completely committed to the principles that underpin this funding – academic freedom, flexibility and the ability to plan for the longer term. We will continue to protect and sustain the research and science base in Scotland through continued long-term investment, as outlined in our Capital Spending Review.

We recognise the significance of the current UK-wide evaluation of university research, through the Research Excellence Framework (REF2021) and expect the SFC to consider the implications of the results in its research distribution methodology. We expect the SFC to consult widely on the principles of a refreshed Research Excellence Grant distribution methodology this year for implementation in AY 2022-23. We agree with the recommendation that the SFC introduces reporting on the use of basic research investment and considers spillover effects. We expect the design of this requirement to be co-created with institutions, to facilitate the sharing of good practice and to develop a greater understanding within the non-research community about the impact of the Scottish Government's sustained investment in undirected research. We are also supportive of the SFC exploring a base within Scotland House, London, in order to work more closely with a range of stakeholders such as UK Research and Innovation (UKRI) and others in pursuit of Scottish interests, recognising that the timing of this position will be determined by future resource commitments.

We are interested in potential improvements to the working environment and culture that surrounds researchers and support for postgraduate research students. Primary responsibility for leading that discussion about expectations and good practice must vest in the sector itself, but the Scottish Government recognises and supports the convening role the SFC can play and the interaction with UKRI's interest in this area.

Maximising the impact of our investment in research through effective knowledge exchange and innovation remains a key priority for the Scottish Government. One element of this raised in the review is adopting inter-disciplinary, missions-based approaches to research, knowledge-exchange and innovation, of which the Scottish Government is supportive. We recognise the importance of aligning interests across other major agencies and players, particularly where the development of overarching themes would catalyse joint work, cross-disciplinary interests and investment. We believe more can be done to energise this alignment within existing resources. Indeed, it is clear that a missions-based approach could benefit the evolution of existing SFC investments in the research and knowledge exchange infrastructure – Government will champion this, and will expect agencies to align around key societal challenges, such as the urgency needed to tackle the climate emergency and to reduce health and wellbeing inequalities. We expect the SFC to take forward its

investments in the University Innovation Fund, Innovation Centers and research pools with this alignment in mind, involving the Scottish Government in the way it realigns its infrastructure investments in order to ensure a strategic approach and connections to the wider research landscape across Scotland.

We strongly support the greater involvement of colleges in innovation and knowledge exchange and look forward to understanding the SFC's further plans in this area, working closely with the college and university sector. Our Programme for Government confirms that we will develop a new innovation strategy for Scotland, aligned with the National Economic Transformation Strategy, working with the Enterprise and Skills Strategic Board and other stakeholders to ensure that support provided by us is focused on the areas of greatest opportunity. We expect the SFC and the findings of this Review to help shape the development of that strategy.

We also commend the SFC's approach to addressing the recommendations in the review led by Mark Logan on the Scottish Technology Ecosystem and encourage work at pace to address the development of an entrepreneurial campus strategy that builds from the early work by colleges and universities. Increasing the flow of entrepreneurs into the Scottish business base will be a key part of supporting innovation and successful business start-ups.

International

The SFC's Review brings together a very useful assessment of international reach and activity that underpins the success of the sector. It provides a clear narrative on the impacts and trends and the importance of international student mobility, research patterns, and exchanges. It also underscores the importance of the sector in delivering Scotland's Inward Investment Plan and stimulating exports; and the value of transnational education and the significance of our global alumni networks. We will take this assessment into the development of Government's International Education Strategy for Scotland, which aims to promote Scotland's education offer globally, increase the number of international students, and maintain our links with the European Union. We will also work with stakeholders to develop a Scottish Education Exchange Programme to support international mobility of staff and learners, and work to re-secure Scotland's access to the Erasmus + programme.

Implementation

As a priority, the Scottish Government will work towards developing a statement of its strategic intent, alongside SFC's lead on developing the National Impact Framework. Beyond that, we set out clearly in Annex A where we see the priorities for further work at pace; where our response will be mediated by resource availability; and where we have made some decisions on the recommendations already.

We anticipate the SFC will develop its own implementation plan, working closely with the Scottish Government and sector stakeholders, recognising that some of the recommendations will be entirely a matter for SFC to deliver with oversight from its Board in the first instance. Government will engage with the SFC and sector stakeholders on development of its own implementation plan. Government and the

SFC will work together to ensure appropriate oversight and join-up of implementation of the recommendations of this Review.

System leadership

We strongly agree with the view that system change will be made possible by innovative leaders across the system who come together in partnerships, alliances, and collaborations to deliver impact and public value. Those leaders exist already in different teams, at different levels, in different organisations across the system. We consider the SFC to be an important agent of change and will work with the organisation to explore the capacity it needs to fulfil its mission now and into the future. We look to the sector to invest in those future leaders; to support them to look beyond their own institutions; and to work together to secure the future strength, resilience and adaptiveness of our brilliant colleges and universities.



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