



Education & Skills Committee pre-budget scrutiny: Scottish Funding Council

Supplementary evidence from Universities Scotland

This paper offers supplementary evidence following on from the publication of Phase 1 of the Enterprise & Skills Review and the subsequent proposal that, as part of that review, the board of the Scottish Funding Council (SFC) may be abolished.

A few key messages may be helpful to the Committee.

<p>Universities Scotland supports the Enterprise & Skills Review</p>	<p>Universities Scotland welcomed publication of the Phase 1 report of the Enterprise and Skills Review,</p> <p>In welcoming the Phase 1 report we said:</p> <p><i>‘Universities fully support the drive to increase Scotland’s productivity and inclusive economic growth and we believe that Scotland has the assets we need in our research base, our capacity for innovation, our high-level skills and talent to do just that. We totally agree that Scotland must take a ‘no-wrong-door’ approach to businesses, public and third sector organisations looking for innovation and skills support. There should be more cross-referrals between agencies and others, and it should be much easier for would-be innovators to get the support they need.</i></p> <p><i>The agencies considered in the review all have increased productivity and inclusive economic growth as a goal. We believe it should be possible for them to work to a tighter, more coordinated set of objectives and measures. If a new Scotland-wide board, sitting above all of the agencies, can achieve greater integration we would welcome this.’</i></p>
<p>Universities are committed to promoting Scotland’s productivity and innovation</p>	<p>Universities Scotland has a vision for Scotland to be Europe’s most innovative nation by 2030, a vision which we believe is well aligned with the overall thrust of the Enterprise and Skills Review.</p> <p>Scotland’s higher education institutions already make a central contribution to Scotland’s productivity and innovation in many ways including developing adaptable graduates for a changing economy, generating excellent research that attracts businesses to Scotland, and working with business to enable university knowledge to drive business growth.</p> <p>Universities work with over 18,000 Scottish businesses a year, and Scottish</p>

	<p>universities have the strongest record in the UK for generating spin-out companies¹.</p> <p>We believe that changes to the enterprise and skills support system can help to promote this role further, for instance through an improved shared vision and strategy, flexible funding for innovation, and enhanced innovation support for a wider range of Scottish SMEs.</p> <p>We are also committed to the development of enterprise and innovation within the university curriculum: see Making it Happen.</p>
Universities want to be strong partners for government and the public sector bodies in promoting this agenda	Universities, as autonomous charitable bodies, are committed to close co-operation with government, business and public bodies to promote innovation, skills and productivity. We are a key partner in the promotion of inclusive economic growth.
There are important issues that need to be worked through carefully in Phase 2 of the Review	<p>The annex to this note sets out issues that need to be considered carefully as part of Phase 2 of the review implementation. They particularly relate to the need for new structures to be built in a way that:</p> <ul style="list-style-type: none"> • Supports universities in the full range of their missions, which are wider than the remit of the review e.g. in relation to fundamental research and the promotion of wide access to higher education; and • Ensures that universities do not come under political direction: our autonomy from political direction is central to our role as an independent voice in society.

**Universities Scotland
November 2016**

Contact: Duncan McKay, Senior Public Affairs Officer, duncan@universities-scotland.ac.uk, 0131 225 0714

¹ Scottish Funding Council Sector KT Metrics 2014-15 and Spin Out UK (<http://www.spinoutsuk.co.uk/>)

Annex

Enterprise & Skills Review: Phase 2 issues log: Universities Scotland

Will the SFC still exist as an entity?

Universities Scotland has valued the existence of the SFC. As recently as 27 October, our [evidence to the Education & Skills Committee](#) set out our reasons for supporting the role of the SFC and our ambitions for the exercise of that role. We strongly support the role of an expert body at arms' length from government that can develop detailed policy on how to support the university sector's success within broad overall strategic guidance from government.

The proposal to remove the boards of the existing statutory bodies covered by the Enterprise & Skills Review raises a fundamental question about whether these bodies would in fact continue to exist. Under the Further and Higher Education (Scotland) Act 2005, the SFC as an entity is the members of its board; the staff are essentially a secretariat to the board. So the abolition of the board would, at first sight, appear to mean the abolition of the SFC as an entity unless alternative statutory provision is made.

Position of SFC Chief Executive and staff?

If the board of the SFC is abolished, who will be the employer of the SFC's chief executive and staff? There would be implications for university autonomy if the SFC chief executive and staff became employees of the Scottish Government, since through the outcome agreement process this would essentially mean that the Scottish Ministers were, through their staff, setting the priorities for individual institutions.

If the Chief Executive of SFC has their objectives set and performance appraised by a Scottish Government Minister or civil servant rather than by their Chair and board, they may be seen to be an agent of the Scottish Government, and any requirement they make of institutions may be seen to be a requirement made on behalf of Ministers.

Is the 'super-board' to co-ordinate the executive-led public bodies, or is it to direct them?

The Phase 1 report is not entirely clear about whether the new 'super-board' is meant co-ordinate or to direct the activities of the public bodies covered by the review.

While supporting the review's aim of 'bringing greater integration and focus' to the system, the direction of SFC by the new 'super-board' would raise issues about SFC's status as an expert body at arms' length from government. It would also risk bringing higher education institutions into direction by the 'super-board' through the medium of the board's direction of the SFC.

Who will chair the 'super-board'?

The chair of the 'super-board' will be in a highly influential position.

Will there be a transparent process for choosing a chair with the required skills for the role?

Or are Scottish Government minded that a Minister should chair the 'super-board'? This would be understandable as a sign of the importance attached to the new board's work by ministers. It would, however, bring with it the risk that Ministerial leadership of a 'super-board' with the capacity

to direct the board-less SFC (which in itself has significant powers over higher education institutions) could be seen as political direction of higher education institutions.

Ministerial chairing of the board would also raise the issue of whether there is a single Minister or Cabinet Secretary who has responsibilities across the breadth of the new board's functions and would be visibly disinterested in preferring a particular part of the new board's portfolio when deciding on priorities or on resource allocation.

Who will be the members of the new 'super-board'?

The members of the 'super-board' will need to be of very high capacity in order to take an informed perspective across the breadth of its responsibilities.

While we would expect the new board to draw on expertise from across business and tertiary education, a board of reasonable size cannot be representative of the full range of diverse interests in its work, or of the diversity of opinion within those interests. Individual suitability and capacity will be crucial to the selection of members.

Will the new board have corporate responsibility for its decisions, or will it essentially be advisory to Ministers?

How will the new 'super-board' have sufficient expertise and capacity for its role?

There will be challenges in ensuring that the new 'super-board' has the capacity and expertise for its very extensive role, however good and diverse the individual members are. A single board of reasonable size will not, in itself, have the breadth of experience and expertise represented on the existing boards. It is also likely to struggle with the cumulated volume of business that the current boards deal with.

This implies that there will need to be substantial delegation to committees, so that only genuinely strategic issues are escalated to the 'super-board'.

The structure of committees supporting the 'super-board' need not necessarily replicate the existing structure of public body boards, and US will want to explore in detail potential configurations for this. If there is a committee or board providing oversight and guidance to the SFC's work we believe it will need to draw on expertise from backgrounds including research leadership, the leadership of educational excellence and accessibility, innovative business, internationalisation of further and higher education, and the leadership of universities and colleges.

The 'super-board' is likely to face challenges evaluating the advice given to it by the different executive-led public bodies. Is there an intention to create a secretariat to support the members of the 'super-board' with analysis and advice? And would this be provided independently of government?

What happens to SFC functions that are wider than those of the 'super-board'?

SFC's role, and that of the institutions it supports, is significantly wider than the 'enterprise and skills support' remit described for the 'super-board'. The remit described in the Phase 1 report does not address the core responsibilities for SFC set out in section 3 of the Further and Higher Education (Scotland) Act 2005, i.e. supporting the coherent provision of education and the undertaking of research. Nor do the functions of the SFC regarding good governance and widening access fit within the proposed remit of the new board, or their responsibilities for quality assurance of higher

education and their responsibilities for the overall sustainability of the sector. These are all important functions – and functions which it is important are carried out independently of Ministers.

Will the resourcing of higher education be decided by a body whose functions relate to only part of higher education's role?

Universities Scotland would have fundamental concerns about decisions on the allocation of core resources between the various public bodies considered in the Enterprise & Skills Review being made by a 'super-board' which has a remit focussed on only part of the SFC's (and universities') mission. While we see scope for better joined-up/pooled funding to support innovation, US would be concerned if prioritisation of higher education's use of public funding was disproportionately geared towards 'enterprise and skills support' rather than the wider teaching, research and widening access functions of universities, whose economic impact is profound but is not well captured in the current description of the new board's role.

We believe the core funding of higher education needs to be decided on by Parliament, not by the new board.

What happens to SFC's UK-wide roles?

SFC has important UK-wide functions which are not currently reflected in the new board's remit, e.g. in relation to the management of the Research Excellence Framework and potentially the Teaching Excellence Framework. These need to be sustained in any new structure.

International focus

While universities are key to the promotion of innovation, productivity and high-level skills for Scotland they are also among Scotland's strongest international-facing institutions and magnets for inward investment and the attraction of international talent. These roles need to be recognised: otherwise there is a risk that the new board may be tempted to focus on intra-Scottish issues more than on Scotland's place in the world.

The Phase 1 report recognises the case for SDI having its own identity while being subject to the co-ordination of the new 'super-board': is that a potential model for SFC's future if SFC can have its own governance structure separate from government?

ONS classification

As work to build a new structure proceed, US will need to be assured that the risks of Office for National Statistics reclassification of higher education institutions as public sector bodies are being managed. As was clear during the passage of the Higher Education Governance Act, ONS reclassification would be a catastrophic risk, and a more directive relationship between government and higher education would accentuate that risk.

**Universities Scotland
November 2016**