



OFFICIAL REPORT
AITHISG OIFIGEIL

Education and Skills Committee

Wednesday 16 November 2016

Session 5



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EDUCATION AND SKILLS COMMITTEE

11th Meeting 2016, Session 5

CONVENER

*James Dornan (Glasgow Cathcart) (SNP)

DEPUTY CONVENER

*Johann Lamont (Glasgow) (Lab)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Ross Greer (West Scotland) (Green)

*Daniel Johnson (Edinburgh Southern) (Lab)

*Richard Lochhead (Moray) (SNP)

Fulton MacGregor (Coatbridge and Chryston) (SNP)

*Gillian Martin (Aberdeenshire East) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*Liz Smith (Mid Scotland and Fife) (Con)

Ross Thomson (North East Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Dr Stuart Fancey (Scottish Further and Higher Education Funding Council)

Dr John Kemp (Scottish Further and Higher Education Funding Council)

Lorna MacDonald (Scottish Further and Higher Education Funding Council)

Mary Senior (University and College Union Scotland)

Alastair Sim (Universities Scotland)

Philip Whyte (National Union of Students Scotland)

Professor Lesley Yellowlees (Royal Society of Edinburgh)

CLERK TO THE COMMITTEE

Roz Thomson

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education and Skills Committee

Wednesday 16 November 2016

[The Convener opened the meeting at 09:17]

Decision on Taking Business in Private

The Convener (James Dornan): Good morning, everyone, and welcome to the 11th meeting of the Education and Skills Committee. I remind everyone present to turn their mobile phones and other devices to silent for the duration of the meeting. Please note that Fulton MacGregor and Ross Thomson are on a fact-finding visit to the Scottish Qualifications Authority to inform next week's pre-budget scrutiny, and Tavish Scott will arrive late, as he is flying in from Shetland this morning.

The first item of business is a decision on whether to take two items in private. In this week's meeting, item 4 will be a review of the evidence that we hear this morning on the legislative consent memorandum and, next week, there will be an item to consider our work programme. Are members content that we consider both those items in private?

Members *indicated agreement.*

Higher Education and Research Bill

09:18

The Convener: The second item of business is an evidence session on legislative consent memorandum LCM-S5-4, on the Higher Education and Research Bill. I welcome Professor Lesley Yellowlees, fellow at the Royal Society of Edinburgh; Mary Senior, an official with the University and College Union Scotland; Alastair Sim, director of Universities Scotland; and Philip Whyte, policy and influencing officer with the National Union of Students Scotland. Good morning.

I believe that you want to make an opening statement. [*Interruption.*] Excuse me—I am daydreaming. We will move straight to questions. Before I ask the first question, I remind members and inform witnesses that, whenever possible, questions and answers should be focused and members should make clear which witness they want to answer a question. We have a lot to get through and we have a tight timetable.

I want to ask Mary Senior about the UCU's position on the bill, which I believe differs from the position of others.

Mary Senior (University and College Union Scotland): Thank you, convener. We welcome the opportunity to speak to the committee, because we have serious concerns about the legislative consent motion, which will link Scottish institutions with the United Kingdom Government's Higher Education and Research Bill. The UCU has been opposing that bill at UK level because, basically, it introduces the teaching excellence framework. It does not actually reference TEF, but it provides the mechanism to allow the framework to come into being. That will be a competitive and marketised way of measuring education. At UK level, the reason for the teaching excellence framework is supposedly to measure quality, but it allows institutions in England to increase tuition fees. It seems ironic that, in Scotland, where the Scottish Government has enabled Scotland-domiciled students to access education without tuition fees—which the UCU has welcomed—we have a legislative consent motion that will allow Scottish universities to sign up to the teaching excellence framework.

We feel that the metrics in the framework, which are around student destinations after university and student satisfaction, are flawed. There is a lot of evidence that raises questions about the value of student satisfaction surveys. The legislative consent motion will allow universities in Scotland to sign up to a system that the UK Government

says that it will introduce, and that is about increasing tuition fees. That is a real difficulty. To be fair to our institutions in Scotland, they have been put in an unfortunate position, because they want to be attractive and to compete globally and in the UK. We get the sense that some institutions are thinking that they need to be in TEF because they need to have their teaching graded and assessed in that way. TEF will put institutions into a gold, silver or bronze category based on their teaching. Institutions such as the University of Edinburgh and the University of St Andrews feel that they will be left behind if they do not sign up.

Our theory is that there will be a domino effect among all other institutions in Scotland, which will think that they need to participate. In fact, however, Scotland already has effective quality assurance mechanisms to review teaching. Those are very much peer reviewed and they look at quality. They involve a holistic assessment to look at and measure teaching. Obviously, my colleagues will speak for themselves, but I am confident that they will say that Scotland has a very effective quality assurance mechanism to measure our teaching.

We have heard worrying comments from the UK Government about linking the award that TEF will give institutions to their ability to bring in more overseas students—that is, it will be linked with immigration issues. The UK Government's narrative on immigration has been deeply worrying, as has been hearing that in the dialogue on TEF.

The Scottish Government is reviewing education governance and early years school education. In the documents for that, the Cabinet Secretary for Education and Skills says:

“Evidence shows that co-operation and collaboration, not competition or marketisation, drives improvement.”

I absolutely agree with the cabinet secretary on that point, but it is really worrying that we have a legislative consent motion that seeks to enable Scottish institutions to participate in a system that we think will be flawed, that we will not have effective controls and influence over, and that is really to do with privatisation, marketisation and the ability to increase tuition fees in England. That will inevitably have a knock-on effect in Scotland.

The Convener: Thanks very much for that. I know that the Scottish Government is still in correspondence with the UK Government on many clauses of the bill. Does any panellist want to comment on that?

Alastair Sim (Universities Scotland): I want to comment from the point of view of Universities Scotland, which represents Scotland's university leaders.

The teaching excellence framework has presented institutions with the quite difficult choice of whether they will participate or not. I entirely agree with Mary Senior. We already have in Scotland our enhancement-led institutional review process, which puts students at the centre and is driven by peer review and improvement, rather than being an audit-driven process. We value that and wish to retain it across the sector. It works well, and it has driven student-centred improvement.

TEF presents institutions with a dilemma. Basically, we work in an extremely competitive environment. If we want to be able to attract students from the rest of the UK and internationally, we want to be able to say in as validated a way as possible that what we are offering them is of top quality. I think that institutions are conscious of the potential for competitive disadvantage if their English peers can say, “Look, we've got a gold medal for being a brilliant place for students,” and they cannot. That is a genuine dilemma for institutions that they are working through individually.

Essentially, we are pursuing twin tracks. One is to get more influence on the development of the teaching excellence framework. Over the past weeks and months—since the middle of the summer, I would say—we have had a lot more traction on that with the Department for Education in Whitehall. We are starting to get sensible work on the metrics for TEF and to get much more involved in the governance and quality assessment of it. Therefore, some of our concerns have been met.

In parallel, we are thinking about what things we can do in Scotland that would make the Scottish system able to represent the highest levels of quality in a way that persuades people from the rest of the UK and international markets.

There are choices, and we support the legislative consent motion from the point of view that it will enable institutions to make choices about whether participation in TEF will help them to draw students to Scotland from the rest of the UK and around the world in a way that contributes to our overall social and economic wellbeing.

Professor Lesley Yellowlees (Royal Society of Edinburgh): The Royal Society of Edinburgh is broadly supportive of the approach, but it has two main concerns. We would want the enhancement-led institutional review to be retained in Scotland, because we think that it works to our benefit far more than the audit system does, as Alastair Sim said. We would want to support that.

We also want broad recognition that the Scottish education system is different from systems in the rest of the UK. I am not sure whether that is fully

recognised in the bill at present, and we have to push that forward. I think that all of us are firmly behind that. We want the differences to be recognised and taken into account.

Philip Whyte (National Union of Students Scotland): I reiterate what most of the panel have already said. The bill is interesting for us. The bulk of it is taken up by research, and Lesley Yellowlees and Alastair Sim can speak to that much more than we can.

Obviously, the bill enables TEF through the creation of the office for students. I reiterate what people on the panel have said and note that the Minister for Further Education, Higher Education and Science said in one of her original letters to the committee that it “remains to be seen” how TEF will be viewed “on an international stage”. I think that it is still to be seen how TEF will be viewed on the UK stage. There has been talk that, essentially, it is nothing more than a marketing tool by which Scottish universities can draw equivalence with the rest of the UK. It remains to be seen whether it will even achieve that.

It is important to remember that TEF will provide a snapshot of one particular point in time, whereas the Scottish system encourages much more granular and on-going enhancement of quality, which is led and driven at every level by students. I reiterate what everyone else on the panel has said: it is absolutely vital—no matter what happens with TEF across the UK and what that looks like in Scotland—that we do our absolute utmost to protect the Scottish system and that we allow no diminution of the quality excellence framework that we currently have.

09:30

Johann Lamont (Glasgow) (Lab): First, I am interested to know what your equivalent organisations in the rest of the United Kingdom think about the bill. The suggestion is that we have a much better system in Scotland. Why would educationists in other parts of the UK not share your concerns about the implications of the bill?

My second question is about the fear that the bill will be used as a means to justify bumping up tuition fees. Do you not accept that, frankly, there is currently a cross-subsidy from tuition fees being paid in Scotland by English students, which allows the Government to underfund places at Scottish universities?

The Convener: Does anyone want to respond?

Alastair Sim: I will respond to that question. At the UK level, our partner organisation in England, Universities UK, is working through—in detail—quite a lot of concerns about the bill and, in particular, concerns about whether it increases

Government control over universities. In principle, it broadly sees the teaching excellence framework, if it can be done well—that really is a question—as being something that may be of benefit, because it introduces a competitive element to ensuring that a university is doing the best for a student. I add the proviso that that is the case only if TEF is done well.

On cross-subsidy, two things are important. First, even a lot of rest-of-UK students at Scottish universities actually pay less than it costs to provide their courses. For instance, if someone is studying medicine at a Scottish university, a fee of £9,000 or so will not cover the costs of the university teaching them that course, so an element of Scottish public funding still goes into that. Secondly, in terms of our ability to attract international students, I will be frank and say that there is a cross-subsidy if we can charge market rates for international students—and branding Scottish universities as having the highest levels of quality and student satisfaction is important to that. That is hugely important, first of all to the universities financially, because we are underfunded for publicly supported activities, so we rely on international students to plug that gap, and it is vital for Scotland’s economy. We reckon that the economic impact of international students in Scotland is well over £400 million a year and we need to compete to sustain and grow that in circumstances that are made extremely challenging by the immigration regime that we work in, which will potentially get worse.

Johann Lamont: Can you clarify whether the NUS at a UK level is opposing the bill?

Philip Whyte: Yes. From its perspective, a number of positives come out of the bill, not least that data will become much more transparent and that institutions will be required to prepare access and participation plans. The office for students has a number of positives, but concerns remain. Literally in the past 24 hours, an amendment has been lodged to ensure that there is some form of student representation in the office for students, which the bill previously did not allow for.

The real concern is that, as I said, TEF will provide a snapshot, as it will provide information on the basis of current metrics, and the way that those are recorded, collected and produced mean that, by the time they become public, they are at least one year—if not two or three years—out of date. TEF will not allow people to see substantively whether, in one given year, an institution is doing well, poorly or neutrally on any one of the metrics, because the information will actually be out of date. The concern is that there are no substantive measures to genuinely improve quality there and then, but instead it is yet another exercise that essentially produces league tables

and everything else without really addressing the root causes of quality.

In terms of fees, there is a real danger in TEF and what it means across the UK, but, looking particularly between Scotland and the rest of the UK, there is almost a double trap in all this. The Minister for Further Education, Higher Education and Science's letter rightly states that at no point will TEF be linked to the level of rUK fees in Scotland. That is absolutely correct. Setting aside everything else, we are keen to avoid a market in higher education whereby different institutions are allowed to vary their fees based on what we think is a flawed metric through TEF.

That is one side of it. The other side concerns a paradox that exists. The maximum that Scottish universities are allowed to charge is £9,250, which is the same maximum that English universities are allowed to charge. As we get further down the line, that could remain the maximum, or the maximum could be raised. A gold-standard university in England that is doing amazingly well in terms of TEF could charge that upper amount and one that is not doing so well, or has disengaged from TEF, could not charge that amount. However, in Scotland, as things stand, if we do not link to TEF, which is the right thing to do, we will only have that one maximum amount, which means that every Scottish university can, if they so choose, race to the top in terms of the fees that they charge. There is no recognition of the four-year degree system versus the three-year degree system in Scotland or of differing standards. Essentially, you could see a race to the top that does not allow for any differentiation or the fact that Scottish universities do not have to adhere to many of the same requirements that English universities do in relation to participation in TEF or through the office for students. I hope that that made sense.

The Convener: I know that Mary Senior wants to come in, but I will let Richard Lochhead ask a question first.

Richard Lochhead (Moray) (SNP): If two universities in Scotland decided to apply to the Scottish ministers for consent to get involved in the teaching excellence framework, where would that leave the rest of the Scottish universities? Will there be long-term consequences for the distinctive nature of university education in Scotland?

Alastair Sim: On the first question, I do not know. Individual decisions will be made. Decisions about joining the next round of TEF must be made by 26 January. I think that the picture will be varied and I do not know exactly where we will end up. TEF is such an evolving picture that I think that institutions will make year-on-year decisions about whether it is to their advantage. In particular, it is extremely uncertain what the subject-level TEF will

look like. Universities will make a fresh judgment on that.

With regard to whether the character of Scottish higher education will be changed, I genuinely do not think so. I think that our values are deeply intrinsic. If we are participating in TEF, we are doing so first of all because it enables us to get an external validation of the fact that we are doing excellent things for students. Further, some institutions might judge that TEF helps them to address the student experience, or at least challenges them to address that. However, I do not think that there is anything that it does that would drive an intrinsically different set of values in higher education or which would lead universities to want to undermine what Philip Whyte and Mary Senior referred to as our deeply student-centred approach to quality enhancement.

Mary Senior: I think that there will be incredible and increasing pressure on institutions to participate. If just a handful of institutions are participating, the others will feel left behind and will feel a pressure to participate as well.

The consequences are unknown. In my first contribution, I referenced how TEF will link in with immigration and the ability of institutions to bring in students from overseas.

On the metrics, we feel that there will be a pressure to dumb down course content or inflate grades, because a key metric is student satisfaction, which brings a range of factors into play. That would raise a range of different questions. We do not want to see a dumbing-down of our robust system, but if that means that institutions receive better student satisfaction scores, there may be a pressure on institutions to do that.

To go back to Johann Lamont's original question on the response to the bill at a UK level, the trade unions have certainly been very opposed to it; we have made our opposition clear throughout the process. There is an incentive for English higher education institutions to support the bill, as it has been made clear that it will present a mechanism through which they can increase tuition fees. There is a clear link between TEF and the ability to bring more resource into institutions, and institutions naturally want to draw in more funding to be able to do more.

There are other worrying aspects of the bill that are not for debate here. For example, the bill will allow new and private providers into the sector in England. At one extreme, we might have a university of Trump in England—that is, in effect, what the bill provides for. It might seem sensationalist to say that, but those pressures will be there. In Scotland, we at least have a clear idea that education is for the public good, and we have

a good system. That is why it is very worrying to see this LCM and to see certain aspects of the bill that are being drawn into play.

The Convener: Professor Yellowlees wants to come in. We will then move on to research.

Professor Yellowlees: Scottish institutions want to play their part on the international stage—that is where we see ourselves. If TEF comes in, we in Scotland would feel huge pressure to join in and take part. In the intervening period just now, I want us to exert any influence and pressure that we can to ensure that the differences in Scotland and the pride with which we view education here are well understood by those south of the border. Those differences must be celebrated by us and recognised by those at a UK level, and taken forward as such. We cannot afford to take our foot off the pedal and we need to engage fully.

Philip Whyte: I want to make a brief point before we move on to research.

The Convener: Very brief, please.

Philip Whyte: TEF will be essentially a marketing exercise in Scotland because of the way in which it is set up. I do not think that it presents a risk to the Scottish sector as it exists now, provided that, as has been said, there is no diminution in quality and, more important, that TEF is not projected as being more important than the Quality Assurance Agency for Higher Education rating, the enhancement-led institutional review or anything else.

We have already heard rumblings about a double burden being created with the Scottish system and TEF, which is hugely worrying—

Richard Lochhead: What does that mean?

Philip Whyte: Sorry—it would be a double burden in terms of workload, as a result of universities having to do work both for TEF and under the existing Scottish quality arrangements. We should warn against that. As long as there is no diminution in quality, and the Scottish sector is proud to show that our current quality assurance and quality enhancement processes are just as good as—if not better than—TEF, there should be no risk of Scottish universities falling behind. We should project and exemplify what we currently have in place.

The Convener: We will move on to research, but we may well come back to TEF if there are other questions to be asked.

Liz Smith (Mid Scotland and Fife) (Con): Before we move to research, I want to ask a question about process.

Given that amendments to the bill are being tabled, and given the concerns that have been well articulated this morning, would it be helpful for

the committee to play a role by making a submission to the House of Lords? The House of Lords will be the first to take the bill further, before it possibly goes back to the House of Commons. We all have some doubts about the bill's specific links to TEF. Would it be helpful to bring to bear as much Scottish influence as possible on the matrix of a teaching excellence framework so that it might be much more satisfactory than the one that you have criticised this morning?

Professor Yellowlees: It would be helpful, particularly if we could all speak with one voice. That would make it much more difficult to speak against us so, from the RSE's point of view, it would be good.

09:45

Mary Senior: We need to do all that we can to make this less onerous, to ensure that it impacts as softly as possible and to get rid of some of the more dangerous elements, because this is really about increasing fees. It is something that the Conservative Government at Westminster is pushing. We need to use our influence to argue why it is not appropriate for Scotland and to do what we can to dilute those elements.

Alastair Sim: We have our foot in the door. The committee's support for making sure that we are robustly at the table to influence TEF is important.

There is also an underlying worry, which was referred to earlier, about what will happen if the Home Office—in our view, it is inevitable—decides to link TEF gradings to our entitlement to recruit international students. As far as I am concerned, every institution in Scotland is robustly quality assured and I do not think that there is any justification whatsoever for using TEF ratings to determine whether we are allowed to recruit international students. There would be a serious risk if the Home Office was to do that.

The Convener: We will come back to that later.

Liz Smith: The bill is largely about research. Scotland's excellence in research comes through in all the submissions that you have presented to the committee, and it is one of the most important reasons why Scotland has been punching well above its weight. There is concern that the bill might interrupt some of the funding for that research. Professor Yellowlees, you spoke on behalf of the Royal Society of Edinburgh about a body that would be responsible for both UK research and English research. Will you expand on the practicalities of your concern for some Scottish institutions?

Professor Yellowlees: Yes. You wrapped several things up into that question. We support the elements of the bill that aim to tackle

interdisciplinary and multidisciplinary research. They came in particular from what the Nurse review said about how we were missing a lot of funding opportunities in the UK for interdisciplinary and multidisciplinary research, and we applaud them.

However, we need to ensure that, in addressing that, we do not weaken the research councils and their championing of specific areas. It is important to understand that the areas of research that we have routinely funded up to now using the various research councils still have a place and we need them to take part. That is still a large element of what they will do. We find ourselves supporting the setting up of UK Research and Innovation but, under that umbrella, we want the individual research councils still to be in a strong position.

The bringing of research England under the umbrella of the office for students causes us some difficulties in Scotland. I do not want to be too parochial about it, but research England would have an unfair advantage because it would be talking directly to the research council—they would all be in together. We fear for what would happen to the devolved system that we have in Scotland. How would we have a voice in that? Would it be fully heard? How can we ensure that our dual funding in Scotland is properly underwritten? I know that you will hear from the Scottish Further and Higher Education Funding Council later, but a real concern for us is that research England would have an unfair advantage given that overarching umbrella.

Liz Smith: Can I probe further on that? Are amendments to the bill that make it difficult for the devolved Administrations to be ignored in those decisions the way forward? I note that, overnight, there has been more correspondence on the matter but, although there has been a little movement, there has not been enough. Do we need to move that little bit further to ensure that there are locks in the system that prevent decisions being biased in favour of any one part of the UK?

Professor Yellowlees: Yes. As I said, we need to continually stress the differences in Scotland and to be proud of them. That is under threat, so I would like quite a high barrier—in fact, an insurmountable barrier—to be put in place. I would like the budgets for the different schemes to be well separated. I fear that it would be possible to vire money between one and the other, although that would require the minister's say-so. Would that be sufficient? No, I do not think that it would be sufficient. My fear is also that we will not have a loud enough voice in UKRI. The UK Government says that it will allow at least one representative from the devolved countries, but our system is not

the same as the systems in Wales and Northern Ireland.

Liz Smith: Would the amendment that you want to see require separate representation from all the devolved nations?

Professor Yellowlees: Yes, it would, and there would be a big, high wall in there as well.

Liz Smith: Does Universities Scotland agree with that?

Alastair Sim: That would be great if we could get it, although I welcome the progress that has been made with the amendment that has been brought forward by the UK Government.

It is important that we look not just at the membership of UKRI corporately but at the membership of the research councils below that. It is important that each research council, in drawing its expertise from the people who are best qualified to be on the council, draws on a geographical spread of expertise, given the need to be insightful about how different things are in different parts of the United Kingdom.

I agree strongly with Professor Yellowlees that there needs to be a statutory firewall between the funding of research England and the funding of Innovate UK and UKRI generally. Whatever assurances are given, if there is no statutory firewall, there will be a temptation to vire resources between the UK-wide functions of UKRI and the England-only functions of UKRI. We need that firewall to be pretty solid.

Liz Smith: Is it correct to say that, if you had that firewall, when you were attracting the collaborative investment that you require from other countries it would be easier for them to know exactly where the money was being used in research? Is that another argument that you would use to convince the Westminster Government? Would a firewall be good in providing clarity for those people who want to invest in collaboration?

Alastair Sim: One of the competitive advantages of the sector in Scotland is that we are, on the basis of our quality, phenomenally successful at bidding for the competitively won UK-wide resources of the research councils. In an uncertain world, we need to be able to tell collaborators that there is still an undiminished pot that we can build collaborations through and that the money is not going to be siphoned off into England-only priorities.

Liz Smith: You have given us a very strong steer on TEF and on the separation of the funds. Is there anything else that you want to see in the bill on which you would like to give us a strong steer?

Alastair Sim: On the research side, we have said that there should be a general duty on UKRI to act in the interests of the entire United Kingdom, including its constituent devolved jurisdictions. That would not do any harm to policy building but it would symbolically say the right thing about its being a UK-wide body.

We have talked about membership of UKRI. Innovate UK should be under a duty to take account of the economic policies of the devolved jurisdictions as well as those of the UK. There are distinctive economic policies at the devolved level and, if Innovate UK is an instrument to promote economic growth, it needs to do that in a way that is adaptable to the different jurisdictions rather than being driven by one set of priorities at Whitehall.

We think that the secretary of state should be under a duty to consult the ministers of the devolved Administrations when he makes decisions about research strategy and the potential environment of resources, because those are issues of UK-wide significance. The devolved Administrations are big research funders—the second-biggest stream of funding for research in Scottish universities comes from the Scottish Government, through the funding council. The Scottish Government is also a huge investor in environmental and agricultural research. We need to see the research effort as a collaborative one that straddles the reserved-devolved boundary, and the ministers of the devolved Administrations should have the right to be consulted on the UK's overall research strategy.

Mary Senior: I think that the new regulatory structure will reinforce an unhelpful division between research and teaching. We have had a discussion about TEF, and this is a discussion about research. Our view is that the best teaching is informed by research. There need to be linkages, clear support and collaboration between the two. With the focus on the teaching excellence framework and with the new research excellence framework—REF—coming into being and the thought that all research staff need to be returned in the REF, there is a clear danger of a separation between those who specialise in teaching and those who will be specialising in research. I am not clear that that will be helpful to our sector in the long term.

Liz Smith: To be clear, are you concerned that the teaching excellence framework would be used as something to dictate the research funding? Is that what you are getting at?

Mary Senior: It is the sense that the two are being viewed very separately, and that we will be measuring teaching and research separately. Under the research excellence framework, institutions will need to return every member of

academic staff who is on a research contract. Therefore, those staff are going to be asked to focus on research. We will lose something if people are not able to undertake their research and also deliver their teaching, with collaboration between the two.

Liz Smith: I understand that point but, to be clear about your concern over separation, which you have a real issue with, are you worried that the teaching excellence framework could be used as a sort of gold standard for universities that might attract a higher level of research? Is that your bottom line of concern?

Mary Senior: I guess that institutions are going to want to be good at both teaching and research. Will the proposals mean differentiation, in that staff will be channelled down either a teaching road or a research road, when there is value in having both those aspects? Academics should be able to focus on teaching and research at different points in their career.

Professor Yellowlees: I wish to return to other things that we wish to stress. We know that the UK does extremely well on a world scale for its research. All the metrics point to that, and they also show that Scotland does even better than the rest of the UK.

My concern on the research part of the bill is that, by tinkering with something that is already very successful by any measure that we care to use, we will end up damaging it. We must ensure that there are not unforeseen consequences from the bill. That is difficult to do, because they are unforeseen, but we must ensure that the overarching body, UKRI, does not damage that but enhances it. That is difficult.

I go back to Alastair Sim's point that we must ensure that Scotland has a proper representation on all boards, whether or not it is the overarching umbrella. I again make a plea for ensuring that the seven research councils that we currently have continue, and for having good Scottish representation on each of them, because that is the most effective way to ensure that what has served us very well in the past continues to serve us well in the future.

Daniel Johnson (Edinburgh Southern) (Lab): I have a supplementary question for Mary Senior. Is the tension that you described long-standing in universities? What is it about the proposals that would make things worse? Is it just that there is a continuing issue with teaching? My understanding is that research funding is not linked to teaching. What is your specific concern about the proposals?

Mary Senior: That is right. As I was going to say earlier, the bill helps to give some status to teaching and everyone has welcomed that,

because teaching is clearly important, but the bill stratifies and separates teaching. It does not link teaching into research in a way that would be—

Daniel Johnson: How does that differ from the current regime? That is what slightly confuses me.

Mary Senior: Perhaps it just inflames the current regime in a way that does not help the collaboration.

The Convener: Are there any further questions about research? If not, we have given TEF a good shot. Daniel, I see that you still have one or two questions.

10:00

Daniel Johnson: My first question relates to comments that were made earlier. The fundamental point is whether TEF is compatible with the Scottish standards. Alastair Sim, I think, pointed out that, if we have confidence in our regime, we should believe that it will bear up. However, would that approach not change substantially depending on the composition of the institution's student body? Professor Yellowlees, I know that you are here representing the Royal Society of Edinburgh, but I also know what institution you work at. Is there a more pronounced possibility that Scottish institutions that have high numbers of students from the rest of the UK might get pulled in a different direction from other institutions in Scotland?

Professor Yellowlees: I wish that I had the answer to that, but it would require a certain amount of crystal ball gazing, which I cannot do. Yes, we have a concern. Allow me to distance myself from the Royal Society of Edinburgh for a moment in order to say that my institution has a proud history of being as international as it possibly can be, while also serving the needs of Scottish students, and there is a fine balance to be struck. Anything that threatens that mix or threatens our ability to play on an international field is something that we take seriously and that I have grave concerns about. Yes, of course we have concerns.

Daniel Johnson: Are there any particular points that need to be addressed regarding the compatibility of TEF with our standards, and are there any mitigation steps that can be taken? That question is for Alastair Sim.

Alastair Sim: There are some mitigation steps in hand.

The two systems are different things. Enhancement-led institutional review is a constant journey that involves thinking about how we can improve what we are doing for a student and how we compare with our peers. It is a self-reflective process and really rather different from TEF. The

problem that institutions face is that, although the ELIR can give us real confidence that we are doing the right thing to make the experience right for the student, it does not give us a badge that says, "You're excellent." You can come out at the other end of a review with the Quality Assurance Agency for Higher Education expressing confidence in you, but that does not quite hack it in a competitive market, hence the interest in TEF and the need to get its metrics right.

We have been working closely to ensure that TEF is measuring deprivation on a basis that makes more sense for Scotland than what was originally proposed. Also, given the typically longer duration of our degrees, it needs to measure retention in a way that makes sense. Structurally, we have people in the governance of TEF, both at programme level and at assessment-of-institution level, who understand the Scottish system and can comment on why things are as they are.

It is important that we have been involved in what you describe as mitigation work to influence the metrics so that, if individual institutions choose to go into TEF, they are not going into something that is unfairly stacked against them.

Daniel Johnson: Are those the points that you would like the committee to mention in its comments on the LCM?

Alastair Sim: Yes, I want to ensure that we are measuring deprivation in a way that makes sense for Scotland. There are different measures in Scotland and in England, so if you measure it by English standards you disadvantage us. You also need to ensure that you are taking account of the patterns of retention over longer degrees, and you need to look at the job market. If you look at the destinations of leavers from higher education, you must understand the subtleties of a UK with very varied job markets and of institutions with varied profiles of what constitutes a successful destination for a student. Frankly, if you are producing a lot of people who go on to be successful nurses, teachers and social workers, you need that to be recognised as as much of a success as if you are producing a lot of people who are going into highly paid professions.

Daniel Johnson: Mary Senior commented on the opt-in and whether the decision would lie with institutions or ministers. Will you explain your view in a little more detail and whether your concern is about the decision-making powers and the role of ministers in that context?

Mary Senior: That issue is not clear, albeit that ministers would, I guess, ultimately have a say on whether Scottish institutions could participate in TEF. Our sense is very much that there will be a pull from institutions to participate—for all the reasons that colleagues have mentioned about the

institutions feeling that they would have to be in that competitive market. Our concern is that that is not a good reason to participate in TEF, which would draw us all down the line of marketisation and privatisation and would lead to a push to increase fees. Different universities will feel the pressure differently.

I talked to a principal on Monday who expressed clearly to me that he was not supportive of TEF and that it was a source of frustration that we could not get the Scottish quality enhancement mechanism to give a similar, but equal, evaluation if institutions need to participate—

Daniel Johnson: Are you saying that ministers should not put institutions in an invidious position or that ministers should make the decision collectively for the whole regime?

Mary Senior: We are all between a rock and a hard place, to be totally frank. We have a bill going through the Houses of Parliament and there are pressures on the institutions. We have a good system in Scotland and we want to be able to attract students from Scotland, the UK and the rest of the world. We are in an incredibly difficult place; I acknowledge that ministers are, too. However, that does not make it right for them to go ahead and say, “Yes, on you go—sign up to TEF.”

The Convener: Do you have any indication at all that that is what ministers will do? I have been led to believe that the decision on whether to opt in will be one for universities to make, not that the decision will be made by ministers to force them to opt in.

Mary Senior: The bill will be a gateway for the minister to indicate that the Scottish institutions can participate if they so choose, and then it will be for the institutions to decide whether to sign up to the different stages of TEF. I guess that, ultimately, the minister could say, “No, we don’t want this in Scotland.” However, the minister and the Scottish Government are under pressure from institutions—for all the reasons that the panellists have explained—that feel that they need to be out there being competitive and able to compare the degrees and the education that they offer with what is offered by institutions in England.

Daniel Johnson: Are you saying that ministers should not allow participation and that they should prevent the institutions from making an invidious choice? I am slightly confused about what you are advocating that ministers should do.

Mary Senior: We are in a really difficult situation. Do we want to allow our institutions in Scotland to be marketised and privatised, with a pressure on them to increase their fees? That is the decision that the minister and this committee have to make. I agree that making that decision is incredibly difficult.

Liz Smith: How feasible would it be to have an equivalent quality standard? Different parts of the UK may use different standards but they have equivalence. For example, when it comes to the measurement between highers, A-levels and the baccalaureate, there is a way of making sure that no one is disadvantaged because they went through a different system. Is there any merit in having a look at a system that might do that or would that not work?

Alastair Sim: It would not be impossible to do that. In Universities Scotland we have a TEF working group that is following twin tracks. One track, which is more urgent because of the timetable of the bill and TEF, is to influence TEF, so that if institutions decided to opt in, doing so would not perversely disadvantage them. The other track is looking at what we could do in Scotland that might build that equivalence.

It is not impossible, but neither is it easy because, as soon as we start to build a variegated judgment of quality into our enhancement-led approach, we start to change it and it starts to be something that might be more prone to competitive rather than collaborative behaviours. That needs to be thought through carefully, but it is the other option. One route is for our institutions to be able to choose to participate in TEF if they think that there is an advantage in that. The other route is to explore whether there is something that we can do for Scotland that generates an equivalence. Both of those are being examined.

Philip Whyte: That almost strikes to the heart of our concerns—indeed, they are not really concerns, because our fundamental position is that we are resigned to TEF happening. It will happen, and we want the system in Scotland to be protected. If we boil TEF down to its very core, it is nothing more than a set of metrics that are not new. They are already recorded, measured, published and made public—everyone can access them freely. TEF is a mechanism by which those metrics can be packaged up, alongside a reflective assessment by the institution to try to provide a bit of context. Therefore, TEF is not actually radical. The headline measures are on retention, widening access rates and graduate destinations, and none of those tells us anything substantive about the quality of teaching at an institution.

That is almost the most disappointing thing. With TEF, there was an opportunity to do something genuinely radical and interesting that tried to substantively get to the root of what good teaching looks like in a classroom. That is what the ELIR system does. When it is used in Scottish institutions, a panel is got together with external people to question students, lecturers and everyone else and to ask how students are genuinely involved in forming their teaching and

learning, what that looks like and what outcomes are created.

As I say, at the end of the day, TEF is a set of metrics and an attempt to explain those through a contextual statement. That is almost what happens with the existing system in Scotland, only the existing system in Scotland goes much further in that it tries to critically and reflectively question the metrics and what happens in the classroom. There is absolutely no reason why the existing system cannot work within TEF. Again, almost the most disappointing thing is that TEF is being seen by some as something new and big that will divert attention and energy and everything else away from what currently happens. We must absolutely warn against that. We can take what we do right now in the Scottish quality framework and simply repackage it and submit it as TEF—it really would not be that difficult. We need to be careful about seeing TEF as something that will divert huge amounts of energy and attention away, because the worry is that that will become a self-fulfilling prophecy.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I want to clarify one point. Mary Senior referred to a university of Trump. There is reference in the bill to deregulation of higher education corporations. What are the implications of that?

Mary Senior: As I said, the bill allows for private providers. As I understand it, that will apply in England but not in Scotland at the moment. I suppose that is clear, but it is deeply worrying.

Philip Whyte: At the moment only fundable bodies can receive public funding—that is, bodies that receive their funding through the SFC. In England, the public funding—mainly tuition fee loans and some student support elements for students—will suddenly become available to private providers. However, provided that we preserve that very protected list of what constitutes a fundable body in Scotland, we can ward off any encroachment of the private sector and those kinds of institutions.

Alastair Sim: There is a reputational issue for the United Kingdom, particularly as we look to Brexit and beyond. One of the huge brand advantages of the United Kingdom is the integrity of the reputation of our universities. Bodies do not get to call themselves a university unless they jump over some pretty high hurdles. Whether it is a new provider or an existing one, a body has to really prove that it has academic integrity before it gets the title and the right to award degrees. Albeit that the measure does not directly apply in Scotland, I have a worry about the diminution of the UK brand and the effect on Scottish universities if institutions are not given an

appropriately high hurdle to jump over before they can call themselves universities and offer degrees.

To give an example, India has a number of world-class universities that compete with the best anywhere, but there are also many institutions that should not be calling themselves universities in countries that do not have really tight regulation of university title. They do not have an equivalent of what we call a university. If Britain allows the brand to be diminished, we will lose a huge international competitive advantage as we look towards an uncertain world.

10:15

Colin Beattie: How can Scotland best defend its reputation in this?

The Convener: Colin, can I just come in on this please?

Professor Sim, are you suggesting that it might be a disadvantage for some of the Scottish universities to be part of TEF if the British brand is being diminished unless we can highlight the quality of the Scottish institution?

Alastair Sim: I do not think that it relates directly to TEF; it relates to the provisions in the bill that will enable the office for students to set lower tests than are currently set by the Privy Council for whether you can call yourself a university and whether you can award degrees.

The Convener: I am sorry; I did not make myself clear. Part of the whole process is this gold standard and if the British brand is being diminished, the gold standard or silver standard or whatever will start to mean less than it did before. Does that mean that Scottish universities would, in the long term, be better to have their quality recognised internationally?

Alastair Sim: Scottish universities will have to make that judgment as TEF evolves. If attaining high levels in TEF is recognised as saying that you are an institution that is taking students seriously and doing things well, that is fine. If, over time and with new entrants to the market, you see providers that do not meet the standards of academic integrity that you would expect attaining high grades in TEF, you would question whether the system is doing what it set out to do and whether you want to continue to participate.

The Convener: Thank you. Colin Beattie, did you want to come back in?

Colin Beattie: No. The question I was going to ask was broadly answered. How do Scottish universities defend themselves if there is a deterioration in the quality of the provision down south?

Alastair Sim: We have to make sure that, as well as the UK brand being perceived, the distinctiveness of the Scottish brand is being perceived. It already gets international recognition and we work closely with a number of institutions including the British Council, the Royal Society of Edinburgh, Scottish Development International and the Scottish Government on the connected Scotland initiative. That is about making sure that we have coherent brand propositions and that we are targeting markets that have growth potential for Scottish higher education's collaborations with international partners.

We need to build on that and, fundamentally, on the integrity of our institutions. If we are continuing to provide a world-class higher education, we need to keep proclaiming the distinctiveness of our brand and the distinctiveness of the welcome that we in Scotland can give to people from around the world in these uncertain times.

Professor Yellowlees: I am a bit more relaxed about it. It is not in England's interests to see a decrease in standards. Why would it be? They are as proud of their standards as we are of ours. There will be enough checks and balances in place. We have to safeguard Scotland—I accept and readily agree with that—but I do not think that there is any indication that institutions south of the border wish to decrease their standards either.

The Convener: Thank you. I thank the witnesses for their evidence. We will take a short break.

10:19

Meeting suspended.

10:23

On resuming—

Pre-budget Scrutiny 2017-18 (Scottish Further and Higher Education Funding Council)

The Convener: The third item of business is the second of four pre-budget scrutiny sessions. We heard from Skills Development Scotland last week and we will hear from the Scottish Qualifications Authority and Education Scotland later this month. Today, we are looking at the Scottish Further and Higher Education Funding Council. I welcome from the funding council Dr John Kemp, interim chief executive; Dr Stuart Fancey, director of research and innovation; and Lorna MacDonald, director of finance.

Before we start, I would like to put on record the committee's thanks to the SFC for arranging a visit for Liz Smith and Colin Beattie last week.

I understand that Dr Kemp wishes to make a short opening statement.

Dr John Kemp (Scottish Further and Higher Education Funding Council): I thank the committee for the opportunity to meet it today.

The Scottish funding council is the national strategic body for the funding of further and higher education in Scotland. We fund, support and care for 25 colleges, 19 universities, 470,000 students across those colleges and universities and nearly 50,000 full-time equivalent staff, and we spend a total budget of around £1.6 billion.

Our ambition is that Scotland will be the best place in the world in which to educate, learn, research and innovate, with colleges and universities making a major contribution to Scotland's social, cultural and economic development. Our task is to care for and develop the whole system of colleges and universities, and their connections with and contribution to Scotland's educational, social and cultural life.

In our written submission we have provided a summary of progress. We think that, across a broad range of measures, our colleges and universities are doing well, but neither sector can stand still. There has been a great deal of change in the college sector in recent years and there are shared aspirations for change in both sectors on widening access, developing the young workforce, developing new learner journeys and implementing phase 2 of the enterprise and skills review.

The SFC looks forward to working with colleges, universities, the Government and others on all those issues. We also look forward to discussing them with the committee, and we will be happy to

answer members' questions on those matters or on the legislative consent memorandum that the committee considered earlier.

The Convener: Thank you very much. We will come to the LCM later in the session.

Johann Lamont will ask the first question.

Johann Lamont: Thank you for coming along and for providing so much information.

An issue that emerges from the submissions to the committee is the extent to which people value the fact that your organisation is at arm's length from the Scottish Government and is able to represent their voice. Indeed, you have just said that your job is to care for and develop colleges and universities. However, you say in your submission that any advice that you give to ministers would be given in private. Therefore, in what circumstances would we know that you were concerned about the Scottish Government's policy or budget decisions?

Dr Kemp: That is a tricky question. When we speak to ministers, we speak to them in private, because that is the correct way to give advice. However, from looking at the funding council's work across a broad range of areas, it is fairly clear what our view is on many things and how that intersects with Government policy. When we meet ministers to advise them, the sectors are sometimes there with us. A good example of that is the discussions on the spending review, in which we give advice to the Government with our stakeholders—the higher education sector and the college sector—present.

I think that what we mean by the statement in our submission that we generally give advice in private is that, when we write to ministers with advice, it is given in private.

Johann Lamont: So if, for example, you advised the Scottish Government that it was ill advised to undertake the regionalisation of college boards and to cut budgets for part-time courses, you would not say that in public and we would not know what your view was.

Dr Kemp: Regionalisation was an issue on which we co-developed the policy with the Government. We worked very closely with the Government and the sectors on producing and implementing "Putting Learners at the Centre". That is an issue on which we were in exactly the same position as the Government. That is how our relationship with Government works—our advice feeds into policy documents, which then feed into what we implement.

The Government and the funding council also worked together quite closely on the prioritisation of full-time courses. That was part of our response to the economic downturn in 2008-09. We looked

extremely closely at how we should respond to what at the time was a very sharp increase in demand for full-time college places for young people. As with regionalisation, we worked closely with the Government on that.

Johann Lamont: So we can work on the assumption that, if you agree with the Government, we will know, because you will say so. We could have an argument that would last all day about how disadvantaging people who want to do part-time courses helps us to deal with an economic downturn, but that is a separate matter.

You are saying that, when you agree with the Government, you are quite happy to say publicly that you are working on things together. Our difficulty in scrutinising budgets is that we do not know when you do not agree with the Government. The advice that you receive from the sector covers issues that we do not know about, because you will not tell us, so how can we possibly take a view on whether you think that the budget that has been given to you to do your job is sufficient? Is there a danger that, on one level, you have become an organisation that is simply a distributor of funds on behalf of the Government and that the aspect that the institutions presumably welcome—your distance from Government—is becoming blurred? We will come on to discuss the proposals that might result in its becoming further blurred.

Dr Kemp: The view of the sectors is that we are much more than just distributors of funds from Government. As I said, the sectors are often with us in discussions around issues such as the spending review, which is the very issue that you raised.

10:30

Johann Lamont: But we—Parliament and the people of Scotland—are not there. You are having a conversation with Government about budgets and, presumably, if you are not happy with the outcome, you are not going to say so.

Dr Kemp: We are here. Ask us. Our views on the budget are what we are here to talk about this morning. We happy to answer any questions about our views on the budget.

Johann Lamont: So, if I were to ask you what your advice to the Scottish Government would be on merging the funding council with other bodies through the enterprise review, you would be able to tell us what you think.

Dr Kemp: Our input to the review on that matter has been made public. There was an open call for evidence as part of phase 1 of the review. In our submission, we highlighted several issues relating to co-ordination and closer working on innovation

and aspects of the skills system. We have been quite public about the fact that we are enthusiastically looking forward to working on phase 2 of the review. There is a lot of detail to be worked out at that stage. In our submission for today's meeting and in our previous submissions we have set out clearly the value that we see in a body such as the Scottish funding council.

Johann Lamont: Universities Scotland says:

"The SFC should have the capacity and confidence to initiate policy itself ... this is the aspect of SFC's role that has diminished in recent years."

Do you agree with that?

With regard to the self-denying ordinance to be private in your advice to Government, would it be helpful if the Scottish Government were to say that it would be good for people to see the challenge and debate that goes on at the heart of Government?

Dr Kemp: In recent years, some of the ways in which policy has been developed have involved the Government, the sectors and the funding council working together rather than separately coming up with solutions and then choosing one of them. That is a good way of developing policy.

On the issue of whether our advice to Government should routinely be made public, I would point out that, on some issues, it is made public. We respond to public consultations and so on, and our views are quite well known in that context. I think that the suggestion that you make would change the nature of the advice that we give to Government and would reduce the value of our body. We are a body that works with the sector and works with Government and other bodies. If you were to go too far one way or the other, it would reduce our value.

Johann Lamont: You will appreciate that, when the Scottish Government says that the funding council agrees with it, that strengthens its position. However, there will not be a set of circumstances where we can see that the funding council does not agree with the Scottish Government. That means that some of the challenge and debates that should be broadened out are not opened up as part of a direct face-to-face discussion between your organisation and the Government.

Dr Kemp: I accept that there is a balance to be struck with regard to the transparency of our advice to Government but I would contend that, on most issues, it is fairly clear what our view is.

Liz Smith: Dr Kemp, you have offered to be direct in answering questions that the Parliament and this committee might put to you. I would like to ask you about phase 2 and the proposed board merger with Scottish Enterprise and Skills Development Scotland. Do you agree with

Universities Scotland's concern that the Scottish funding council would be put in an increasingly political role, with a minister in the chair?

Dr Kemp: There is a lot of detail to be worked through in phase 2. Universities Scotland's submission highlights many of the issues that will need to be addressed in phase 2 as we come up with a structure that is appropriately transparent and is also focused on the broad range of things that a single board would have to do. We look forward to working with the Government and others on phase 2. I acknowledge that we need to address many of the issues that Universities Scotland raised.

Liz Smith: Are you concerned that the Scottish funding council's role in a merged body might be more political?

Dr Kemp: We would have to see what the nature of that body was and who the members were. We are already a non-departmental public body. We have a letter of guidance from the Government and work closely with it. I would not necessarily see that changing if that board had a similar nature to ours. As Universities Scotland highlighted, there is a set of issues about how we deal with a board that would be so diverse and might be focused on enterprise and skills as opposed to the wide range of things to do with the south of Scotland, the Highlands, research and widening access.

Liz Smith: When Colin Beattie and I had the privilege of going to Queen Margaret University last week, an interesting comment was made that the Scottish funding council is a bit removed from the Government but not terribly far. Are you comfortable with the view that your role is increasingly political?

I will add to the questions that Johann Lamont was correct to ask you about scrutiny. The Parliament and the committee have to scrutinise the work that you do. In its recent report, Audit Scotland was reasonably comfortable with what is happening in the short term, but it had lots of questions about the long-term strategy, on which it felt that there was a lack of transparency and insufficient scrutiny. Are you entirely comfortable with how the Scottish funding council is running?

Dr Kemp: Yes. We spend £1.6 billion-worth of public money on colleges and universities. It is right that we reflect the will of Parliament and the Government in the spending of that money. We receive a letter of guidance from the Government. We exist not only to care for the system of colleges and universities but to ensure that they deliver what that £1.6 billion-worth of public funding aims to provide.

Liz Smith: Do you dismiss Audit Scotland's concern that there is a lack of transparency on the

longer-term, overarching strategy and that our ability to scrutinise it is therefore somewhat compromised?

Dr Kemp: On the way into the committee meeting, I was reflecting that, with committee appearances that have already happened, including today's, and some that will happen tomorrow and between Christmas, I will have appeared at seven committees between summer and Christmas, so the level of scrutiny of the SFC is fairly clear. We are open, transparent and available for scrutiny by Parliament.

On what issue was Audit Scotland concerned about the longer-term strategy?

Liz Smith: The concern that Audit Scotland expressed in its recent report was about the way in which you are asked to implement Scottish Government policy alongside the institutions. It is relatively comfortable about outcome agreements but, on the longer perspective about what the process involved, it felt that there was a lack of transparency and, because of that, it was more difficult for us to scrutinise the process. Audit Scotland made a fair point. If we combine what Johann Lamont asked about and what I am asking now, a question mark is raised.

Dr Kemp: We are perfectly happy with any level of transparency. If we can do detailed things to make our work more transparent, we will be happy to work with the committee or any other committee to do that.

Liz Smith: Universities Scotland said:

"Policy teams that might have previously had the capacity to concentrate on widening access or knowledge exchange policy have found themselves increasingly stretched after an organisational restructure to focus time on the outcome agreements process."

Is that accurate?

Dr Kemp: The Scottish funding council's number of staff has been reducing in recent years. The public spending climate has been tight, so our staff numbers have been going down. At the same time, we have been focusing on outcome agreements, which were a major change for our organisation a few years ago.

However, I will push back slightly on Universities Scotland's point. We used to have large policy teams that worked on widening access, skills and research, for instance. We now have people who work as outcome agreement managers but are also sometimes part of an access team, for example. That is a useful way of using their skills so that they have not only an outward-focusing experience of what is going on in institutions but some policy expertise. We need constantly to think about the balance of that and we have been doing that. When outcome agreements were new, the

teams were expanded quite a bit, because the agreements took a bit of bedding down. As time goes on, that balance is changing. However, I accept Universities Scotland's point that the focus of the funding council's staff has changed.

Liz Smith: If it is true that your staffing has been reduced, the remaining staff must by definition be doing more work, particularly given the extent of the work that is now required in the HE and FE sectors.

Dr Kemp: The work is different as well. The sectors have changed quite a bit, and we have been changing funding methods. We have not been staying still.

Liz Smith: Does that mean that the casework for the people who remain has increased? Does that have any implications for the quality of their work, because they do not have as much time?

Dr Kemp: We would not overload people to the extent that quality was affected. It is important that we work to a very high standard. We are addressing Universities Scotland's point that our policy teams are not as large as they used to be and that they often involve people who are doing a mixed task of outcome agreements plus policy work.

We are working closely with Universities Scotland to implement the work of the commission on widening access, for example. That is a good way to ensure that we are close to the sectors on how to implement such things. A different way of working is involved, but there is pressure on all parts of the public sector to operate more efficiently and to get better outcomes by working more collaboratively with others.

Liz Smith: If there are fewer people in policy teams and fewer policy developments, are you entirely comfortable that the Scottish funding council's important advisory role with the Scottish Government is as effective as it used to be?

Dr Kemp: Yes. The recent major changes in the college sector have very much involved the funding council working closely with the Government in an advisory role. We will be very much involved in advising the Government on how to address some of the forthcoming challenges on the learner journey, for instance, where the Government has set out an aspiration to change things, along with partners in other parts of the world, in schools and in other organisations. I do not think that we have in any way diminished our capacity to participate in that kind of policy change.

Tavish Scott (Shetland Islands) (LD): I have a couple of questions on the theme of an NDPB being independent of Government or simply being an arm of Government. There are 55 paragraphs

in the 8 February guidance letter from the minister—Dr Kemp mentioned those letters—and they are by any standards prescriptive. I note from the RSE's submission to the committee that that is one of its concerns. Do you accept that that has changed quite a lot in recent years, and that you—I do not mean you personally; I mean the organisation—are under much more direct and prescriptive direction from ministers?

Dr Kemp: I have been at the funding council for about 16 years, and I am trying to remember the length of guidance letters over those years. They have varied up and down and that has often depended on the minister's style. That time covers several Administrations.

I am not sure that there is a direct relationship between the length of the letter and the prescriptiveness of the Government. I contend that 55 paragraphs for £1.6 billion is reasonable. It is possible to be very prescriptive or less prescriptive within that.

I have not perceived a huge change in the prescriptiveness of Governments. As I said, I have been at the funding council for about 16 years. That has covered quite a few ministers and Governments. They have all had aspirations for change in colleges and universities, and they have all expressed those aspirations through guidance letters.

Tavish Scott: The letter of 23 March has a section on widening access. You have raised that, and I happen to have it on screen in front of me. I choose, for example, the sentence where the minister says:

"I want to see no diminution in efforts to widen access."

By any standards, that is a very clear ministerial intent. We can go through all 55 paragraphs in the 8 February letter and find such language. You have no room for manoeuvre at all as an organisation. You are being told exactly what to do.

10:45

Dr Kemp: I will pose a counterfactual. Imagine a funding council that wanted to diminish its efforts to widen access, which would be clearly against what I perceive to be the wishes of pretty much every party in the Parliament and those of the Government. In that case, I think that you would say, "We voted you £1.6 billion, but you've chosen not to carry forward a policy that is agreed by all parties in the Parliament."

Tavish Scott: To go back to Johann Lamont's question, many of us disagreed with changing the arrangement for college funding so that there were fewer part-time courses and fewer women were able to take college courses. There was no

political agreement about that. Forgive me for being unable to find the reference at the moment, but the minister basically said, "Get on with it." There was no agreement on that one.

Dr Kemp: There was not. However, the funding council and the Government agreed on that, because we advised the Government way back in 2008-09 that there were a lot of very short courses that did not lead to recognised qualifications and which we felt could be deprioritised in order to have more part-time courses. I am trying to think of an example of where we have been directly told to do something that we did not perceive would reflect the Parliament's will or which was not closely related to our strategic plan or aims.

Tavish Scott: I am not really making such an argument or trying to pick that kind of hole. I am just saying that it strikes some of us that there is much more direction now.

Colin Beattie and I spent an inordinate amount of time on college governance in the Public Audit Committee in the previous parliamentary session, so you will understand why I ask a question about the issue. Under the heading "College governance", the Auditor General's letter to the committee states:

"The SFC's role in regulating college governance is not clear."

The obvious question is why.

Dr Kemp: That is a question for the Auditor General. I perceive her to mean—I followed this up with her staff when they were writing the report—that, with regard to some of the failings in college governance over the past couple of years, it had not been clear exactly what our role was, as opposed to the role of others, and how we should have handled the situation. Since the events at Coatbridge and North Glasgow colleges, the Government has established a good governance group and we have been working with other stakeholders on clarifying our role. I hope that, as that is worked through, our role will become clearer.

There are aspects of college governance that lie properly with the boards of colleges as charities, aspects that rely on the Government's powers and aspects that are our responsibility—we need to be absolutely clear on that.

Tavish Scott: I will complete the loop by going back to one of Johann Lamont's questions. Logically, have you just made the case that having an SFC board with responsibility for college governance is the right way forward? Such an issue would never get the attention of the superboard that will be in charge of everything that all the colleges do.

Dr Kemp: The Auditor General's report referred to dealing with that as part of the enterprise and skills review. One of the things that need to be looked at in phase 2 of the review is how to retain the capacity in the new structure of an organisation that deals with all those different issues.

The Convener: Colin Beattie has a short supplementary question, and he will be followed by Richard Lochhead.

Colin Beattie: It is not so much a supplementary question.

The Convener: We will come back to it later, then.

Richard Lochhead: It strikes me that political parties spend a lot of time calling on ministers to intervene in further and higher education funding decisions, so the argument that the funding council is too close to the Government is intriguing. On how close you are to the Government, how does your model compare with models in other countries?

Dr Kemp: The most immediate parallel is with the Higher Education Funding Council for England. The committee discussed the Higher Education and Research Bill, which would change HEFCE into something that is very different by establishing an office for students that would be separate from the research parts of HEFCE.

It is hard to do the comparison that Mr Lochhead asked for, because further and higher education systems vary a lot around the world. We are quite unusual in that we fund both further and higher education. It is a huge benefit that we think of one post-16 system and fund both bits of it.

On relationships with the Government, we spend quite a lot of money on further and higher education. In other parts of the world, a lot of the money comes from fees and other sources, so there is not the same type of body as we are. Funnily enough, the funding council that we would perhaps speak to most, as it is most like us, is as far away as New Zealand. To be honest, I could not tell members how interventionist its Government is compared with ours.

Comparing is hard, as the systems for funding further and higher education are so different. Therefore, the extent to which we would expect Government interference varies quite a bit. England is moving in a completely different direction.

Gillian Martin (Aberdeenshire East) (SNP): My question is about two types of retention: the retention of quality staff and the retention of students. First, I will deal with staff. You will know my background—I was a staff member of a

college and then I became an agency lecturer, so I speak with that experience.

Is there any monitoring of the level of agency lecturers against the level of those who have permanent contracts, and of the impact of that on the quality of teaching? I do not say that from the point of view of agency staff being of less quality; I am talking about the retention of people with permanent contracts. Do you monitor that?

Dr Kemp: We do not collect data on agency staff, full-time staff or permanent staff and relate that to quality. I am not aware that Education Scotland monitors that, either, when it does reviews. However, we could look at that. The data on staff in colleges has not been as extensive as that on staff in universities. That is one area that we are keen to improve for equalities reasons, for example.

Gillian Martin: I will tell you where I am coming from. On the quality of teaching, there could be a situation—I certainly saw this in my 15 years of college experience—in which excellent people from industry come to work in a college and then leave, and we do not know why, because they are never given an exit interview to ask what made them move on. I am glad that you have said that you will look at that, as it is a real issue, particularly given that we will have stronger links with industry. We are asking people to come from industry and teach in our colleges.

Dr Kemp: We want people with industry experience, including recent industry experience, to work in colleges. Sometimes a revolving door is a way of achieving that, but we want to know that it is revolving for the right reasons.

Gillian Martin: Exactly.

As you are taking notes on my wish list, I think that people from industry who have a lot to offer colleges could be instrumental in keeping courses relevant and doing development work but, if they work for an agency, they will not have a staff contract and will not be given paid time to do that. I am sorry—I am on my hobby-horse.

The other issue that I want to speak about is student retention and how it is monitored. I understand that colleges are funded for students if they are retained until a certain point in the academic year. Will you explain that for us?

Dr Kemp: I will let my colleague Lorna MacDonald come in on that. If a student stays beyond a date around November, the college will get more funding. We monitor retention and success rates by looking at a range of issues. We ask how many stayed until the early retention date, how many stayed until the end of the course and how many were successful. Does Lorna MacDonald want to say anything more about that?

Lorna MacDonald (Scottish Further and Higher Education Funding Council): I think that you have covered the matter.

Gillian Martin: NUS Scotland has spoken to me about the impact of having that date. Its criticism is that, beyond that date, students are not given the support that would allow colleges to retain them, because retention after that date does not have an impact on funding. How do you answer that criticism?

Dr Kemp: For funding purposes, we have the cut-off date because there tends to be a drop-off and we need to ensure that we fund only students who are there. Through the outcome agreements and the performance indicators, we focus on success—students getting to the end of their courses and passing them. Our performance indicator is not that someone stays for 25 per cent of the course; it is that they stay to the end and are successful. That is what we focus on in the outcome agreements. Are you suggesting that the funding method might incentivise colleges to be more concerned about the early part of a course than the latter part?

Gillian Martin: NUS Scotland and I talked about the drop-off in retention. Student retention is really important, and it is important to identify why students drop out. Is there a correlation between how the funding model works and the effort that is made to retain students? Are you looking into the reasons why students might be in difficulty?

Dr Kemp: Ten years ago, when there was less focus on the performance indicators and before there were outcome agreements, funding played a bigger part in what happened than looking at the outcomes did. At that time, I was aware of colleges being more concerned about the earlier part of a course and getting over the funding hurdle. However, that is probably less the case now, because there is so much focus on the end point and the success rate. The overall trend is that success rates have been going up, with the exception of the full-time FE level, which dipped a bit last year.

Gillian Martin: That leads me on to my next question. How do we measure the destinations of students who leave courses early? They sometimes leave early for legitimate reasons such as other opportunities, but the statistics on retention do not really dig into the destinations of people who left their courses early.

Dr Kemp: We have a destination survey that tracks where students go after their courses finish, which covers about 85 to 90 per cent of students. The ones that we do not track are more likely to be the ones who dropped out early and did not go on to other courses, because they are harder to find. We need to keep working on that to ensure that

we have data on the students who drop out early as well as those who complete their courses.

It is sometimes hard to fathom why students dropped out. Sometimes, they chose the wrong course; other times, they wanted a job and got a job halfway through the course. We need to know those details because, if people can get a job halfway through their course, the course is too long and we should be running a different course that gets them to where they want to go more quickly.

Gillian Martin: You get that it is important to have that information so that you can structure your courses appropriately.

Dr Kemp: Yes.

Ross Greer (West Scotland) (Green): I do not like to talk about students dropping out purely in financial terms, but given that we are doing pre-budget scrutiny, I note that there seems to be an issue with money being spent on students who then drop out. That does not represent good value and perhaps shows that not enough is being spent on student support to keep them on their courses. In the longer term, we are looking at reform of student support, but what is needed in the shorter term to prevent that money being wasted? There seems to be a big issue around the discretionary support budgets.

Dr Kemp: In the past, colleges have reported to us that the availability of the FE bursary, the discretionary support and so on has been part of the perceived reason why students have dropped out. In recent years, we have tried to focus that funding better on need. The allocation of places to a college is relatively stable—we know roughly how many places colleges will need and the funding for them—but student support is far more volatile. A different body of students of different ages, genders and so on can really affect the student support budget, so it is far harder to predict what will be needed.

Last year, for the first time, we used a needs-based analysis. I think that that will reduce the need for an in-year redistribution, which is something that we do every year and which is quite a sticky method of getting the funding in the right place. That is the kind of thing that will be looked at in the student support review that is kicking off, because we recognise that one potential reason for drop-out is uncertainty about student support.

11:00

Colin Beattie: I thank the funding council for accommodating Liz Smith and me on our visit to Queen Margaret University last week, and for providing the helpful written submission on

depreciation, which I am sure we have all been studying. *[Laughter.]* It is actually quite interesting.

I realise that professional accounting practice dictates the process, but I have a couple of concerns and I need a bit of information. Obviously, the approach means that most colleges will end up with a technical deficit, no matter what they do. Is that deficit annual or cumulative? In other words, will the impact on the apparent bottom line get worse?

Dr Kemp: That is one point on which I will bring in my director of finance.

Lorna MacDonald: It is not cumulative, but you are absolutely right that we should expect technical deficits. You will see from the Audit Scotland college overview report that, in 2014-15, the overall deficit was £28.3 million but, with the adjustments for non-cash aspects and one-offs, the overall underlying deficit was £3 million. About 15 colleges showed a technical deficit as well as other potential deficits.

That is the norm; it is not something that is going to get worse and worse. The priorities for the use of depreciation have been set. In many cases, with any revenue spend in that depreciation category—that non-cash budget—the priorities of student support and pay pressures will continue. However, it is not possible to keep allocating additional priorities to that amount of money.

Colin Beattie: From a budgetary point of view, the committee is interested in being able to see readily whether a college is in deficit. Members tend not to look at whether a deficit is technical or real. How will the information be presented in a way that allows committee members to see readily the real financial position of a college without having to go into the accounts and interpret them?

Lorna MacDonald: You are absolutely right. You will see from the written submission that we have added requirements in the accounts direction to make that communication much clearer. It is important for everyone to understand where a deficit is technical and where it is an underlying deficit.

Colin Beattie: On a small point of clarification, the submission talks about “Professional accounting practice”, but is it the same professional accounting practice across the whole public sector?

Lorna MacDonald: It is the recommended practice for further education and higher education institutions.

Colin Beattie: Is that different from the practice in other sectors?

Lorna MacDonald: Yes. For instance, other charities would have to apply the charities

statement of recommended practice, but colleges and universities have to apply the further and higher education SORP.

Colin Beattie: How does that differ from the way in which other public sector budgets are handled?

Lorna MacDonald: It is considerably different from the normal Government accounting and accounts. Indeed, there is to be a further change in the SORP, which, I am sad to say, will make the interpretation of accounts more confusing. However, going forward, we collectively have to improve the communication of the underlying message.

Colin Beattie: Obviously, it is a concern if we cannot compare one area of the public sector with another. Would it be possible for you to encapsulate on one page what the significant differences are and how the education budget would differ if it was in another area of the public sector?

Lorna MacDonald: Yes. I am happy to provide that in writing following the meeting.

Colin Beattie: That is actually quite important.

In the submission, under the heading “Priorities for spend of depreciation funds”, you set out the three areas that have been prioritised: student support funds, loan repayments and the costs of the 2015-16 pay award. They are not necessarily one-off payments, are they? They are continuing obligations.

Lorna MacDonald: Absolutely, and, because the commitment goes forward, the flexibility within the net depreciation is reduced. It is an annual commitment that has to be met from that allocation.

Colin Beattie: Are those guidelines laid down by the Scottish Government or by the SFC?

Lorna MacDonald: There is ministerial approval of the priorities, and there is a legal commitment for repayment of any loans that existed prior to April 2014.

Colin Beattie: So, in effect, are we relying on the continuation of current accounting practices in order to fund those commitments?

Lorna MacDonald: Yes.

Colin Beattie: Okay. I have one other question, which arises from our discussion last week. When I highlighted some concerns about the role of the SFC as a regulator rather than a provider of funding to colleges and universities, I got the impression that there is still no clear role that distinguishes the regulatory part from the purely funding part.

Dr Kemp: Since you raised the point last week, I have been thinking about whether there are benefits to playing both roles or whether they should be separated. A regulator is responsible, often on behalf on the public, for ensuring that a service is of high quality and efficient and is using money correctly. We do that on behalf of the public in our regulatory role, and I think that it is probably easier to do it while we provide funding, because of the relationship that we have with the institutions. We discharge our regulatory role in a number of ways through our quality work, some of which has been mentioned today. That is very much part of the regulatory role; we ensure that what happens in colleges and universities is of high quality, and we do that through QAA and Education Scotland.

We have other governance roles that we have mentioned and which are part of our regulatory role, and we do that in the college sector through the recommendations of the college governance task group. Would it be easier to do that if we were standing separately from the colleges and universities or from the funding? That is probably a question not for us but for the wider world, but I do not think that it would be easier, because many of the interactions that we would have if quality was not good or if there were governance issues would allow us to bring things back on track through the day-to-day work of our outcome agreement managers and others who work with colleges and universities, and through funding levers. That approach does not work for absolutely everything, but it works for some things.

Colin Beattie: I am not arguing for one model or another. What I am arguing for is clarity on where the two roles sit within the SFC and on how the SFC sees itself as a regulator, being responsible overall for the health of the sector and ensuring that whatever regulations, laws and guidelines are made are enforced.

Dr Kemp: We should perhaps make clearer to MSPs and the world how the things that I have talked about fit together and how our quality work and regulatory work fit with our governance work, and how they fit with the outcome agreements that are a way of ensuring that what we think we are getting from colleges and universities is in fact what we are getting.

Tavish Scott: Further to Colin Beattie's budgetary rather than regulatory points, I want to ask about Audit Scotland's comment in its letter for today's meeting that the SFC

"does not currently prepare medium to long term budgets."

Why not?

Dr Kemp: It is partly because we are currently funded year to year by the Government. The previous budget settlement was for a year, and the

next one will be for a year. Before that, it was more common to have a longer time horizon, and when we have had that certainty, we have done medium and long-term planning.

I do not want to contradict the Auditor General for Scotland, but Lorna MacDonald has a huge amount of information on the rolling forward of budgets and what our strategy for the future would be. We have probably not expressed that in a way that has allowed the Auditor General to see it as a strategy. It is an issue that we need to look at.

Tavish Scott: If I may be so bold, I suspect that the committee would really welcome that information. You have made a really good point. If you are doing the work anyway and you want to share it in some sense with us, we will support that.

Dr Kemp: That is good.

The Convener: Colin Beattie also asked for clarification on accounting practice. You might well want to pull all that stuff together and send it to the committee.

Dr Kemp: Yes, I will.

Liz Smith: I have one question on a related theme. Previous committees have asked your predecessors, Laurence Howells and, before him, Mark Batho, whether there was sufficient data to measure effectively whether the Scottish funding council was doing a good job. Is sufficient data available to measure the quality of what the funding council is delivering, or are there other aspects of data that it would be helpful to have?

Dr Kemp: It is always useful to have more data. When we analyse our effectiveness, we often analyse the effectiveness of what our funding has turned into through research on widening access and so on. A huge amount of data is available, but it is often a question of how we use it and how we promote it to the world so that you can see the changes in, for example, widening access.

We have talked about what happens to students after they leave college, particularly those who leave early. We know what 85 per cent of those students do after college, but we do not know about the remaining 15 per cent. A lot of what is needed is not about developing new data, but about making sure that our existing data sets are complete, cover the right things and link together so that we know where somebody goes when they leave college and the outcome if they have or have not completed the course. It would be very useful to have such information to know whether we are doing the right thing.

We often take policy decisions based on the data that we have. After all, the world changes, and we need to see how it all looks in five years' time. A student destination six months or four

years out might be very different from what it will be 10 years out. That said, although I am a person who would always like to have more data, I realise that there are limits.

Daniel Johnson: My question is related to the point about accounting measures—and I apologise if this is getting technical. Colin Beattie asked about comparisons across the public sector. Would it not be fair to comment at this point that colleges and universities have a very different status in that regard? Universities are charities, but colleges now find themselves categorised as public sector institutions.

Dr Kemp: Colleges are also charities. Colleges and universities are very different beasts. On the different accounting standards, I will again defer to my colleague Lorna MacDonald.

Lorna MacDonald: I will follow up on the difference in accounting standards in a paper. However, the institutions very much have to follow a certain recommended practice for their operations.

Daniel Johnson: Colleges have probably seen the biggest changes in the tertiary education sector. I note with some concern the comments that were made in the Audit Scotland report on colleges in the summer but also the Auditor General's comments that were supplied to us before the meeting about measuring the benefits of the college merger process. She says in her letter that there have been issues in fully measuring

“whether the merger programme delivered all of the expected benefits.”

What are your reflections on that point? Will we be able to determine whether the benefits have been delivered and whether the merger process has been successful?

11:15

Dr Kemp: We published a report reflecting on the post-merger evaluations that we have done of all the mergers. We did the two-year ones of all of them earlier this year and we published a summary report measuring the progress against the stated aims of the mergers in the plan at the time. The Auditor General's point, which I think is a valid one, is that there are other baselines that could have been used at the time and from which we could have tracked things forward. At the time, we did not have some of the data on college leaver destinations that we have now, so we could not have used that for baselines.

I take the Auditor General's point that we should perhaps have been clearer in stating some of the other things at the time—what the aim was for some of the measures. For the ones that existed

at the time and that exist now, we tracked things such as retention and success rates at colleges as part of our post-merger evaluation. That was not explicitly set out as an aim of the mergers programme, but we have tracked the impact of the merger programme. To talk about the impact of the merger programme is perhaps overstating it, because we do not know what affected success rates over that time. It is not clear. However, we are able to track quite a lot of the baselines. It comes back to the point that it would generally be good to have more data so that we can measure success. We have quite a lot of it, but those things were not explicitly stated as part of the merger programme.

Daniel Johnson: The Auditor General is making a much balder point than that. She is essentially saying that the Scottish funding council and the Scottish Government have not publicly set out when the benefits of the college mergers will be achieved and how they will be measured. She is specifically saying that there is incomplete baseline data. A particular point is raised in her letter about

“the costs of harmonising staff pay”

not being included in the cost assessments. In response to what you have just said, that sounds more central than marginal.

Dr Kemp: At the time when the Auditor General published her report, we had not published the post-merger evaluation summary. When we published it, we did not have all the harmonisation data from the colleges. I am pleased to say that we now do have that. I will come back to a caveat on this, but the cost of the harmonisation relating to the mergers was about £6.2 million. You need to consider that against the £52 million—the current savings.

Coming now to the caveat, I note that the challenge in the harmonisation data is that some of the decisions about harmonisation and about how pay costs were harmonised in the college sector were taken against the background of national bargaining coming in, as opposed to the merger. It is hard to disaggregate the two. The total cost of the harmonisation was £6.2 million a year.

Daniel Johnson: The ability of colleges to invest is critical to their success. You have highlighted the fact that well over £200 million of investment is needed to bring the college estate up to standard. At the same time there has been a 77 per cent reduction in the capital investment that is available to colleges. What would your commentary be on that and on the ability of colleges to move forward? Secondly, what has the impact been of the reclassification of colleges as public sector bodies?

Dr Kemp: Once they became public sector bodies, the ability to retain reserves and to borrow money to address capital projects became much more difficult. They can retain some reserves through an arm's-length trust, but that is at arm's length and it is not really a reserve. That has indeed changed the way in which colleges can address capital issues. Previously, they could in effect save up and then use that money with some grant from us to address capital issues. The fact that they cannot do that puts far more onus on the funding council and the Government to be aware of colleges' capital needs and to help them to address them.

We are currently doing some work with colleges on the needs of their estates and we are expecting the outcome of that to be available in the next few weeks. We will then be doing a larger piece of work on estates need over the next year or so, looking at all the colleges. We recognise that, although some of the college sector in Scotland has very good estate, with a lot of new buildings such as the large new building that the City of Glasgow College opened just a couple of weeks ago, there are other bits that are now coming up to the stage when they need investment.

Daniel Johnson: Given that very large hurdle that has been placed on the college sector, are you concerned by recent reports that your board may be merged into the overarching board for enterprises, which may be directly chaired by a minister? To your mind, could that put universities' status at risk? Would they be liable to become classified as public sector bodies? What would that do to the £2.5 billion that universities currently hold in reserve and to their ability to invest?

Dr Kemp: The issue of universities being classed as public bodies is one for the Office for National Statistics and it is looking at that. I would not want to speculate on how likely that reclassification is, but there would be a number of choices to be made if the ONS decided that universities are part of the public sector. The Government, or others, could take a number of steps to move universities out of the public sector and change the degree of control over them, whatever might lead the ONS to believe that universities are part of the public sector. I would expect the Government to look at that issue in phase 2 of the enterprise and skills review. However, there would be choices to be made if the situation arose.

Daniel Johnson: But the change in the governance regime could push matters in that direction. Is that your understanding?

Dr Kemp: I would not go that far. At the time, there was quite a lot of concern about colleges becoming part of the public sector and the impact of that on their charity status and so on. There are

ways in which we can react to that kind of situation and avoid its potential consequences, although I will not go into the detail here.

Daniel Johnson: What sort of steps could be taken?

Dr Kemp: It is mainly to do with the degree of control that the Government has over bodies.

Daniel Johnson: Thank you.

The Convener: We move on now to the issue of the LCM.

Liz Smith: My question is directed at Dr Fancey. I think that you were present earlier when the previous panel was giving evidence on concerns about the LCM. Do you share those concerns?

Dr Stuart Fancey (Scottish Further and Higher Education Funding Council): We share a considerable number of those concerns, as we said in our relatively recent submission to the committee. We share many of the concerns around the desire that we all have in Scotland that the UK body that will overarch the research councils in their new form will properly reflect UK-wide policy considerations and that individual research councils will be able to respond to the needs of the entire country, including Scotland.

I want to add one concern to those that were raised earlier. It was not mentioned as explicitly as I would have liked, but I think that that was an oversight, which is why I am adding the concern now. It is about the function of the UKRI body that will oversee the new overarching body. We hope that that body could be helped to operate in the way that my colleagues spoke to you about earlier, which I largely agree with. One way in which that body could be made more effective for us in Scotland is by keeping it relatively slim. We were pleased with the reassurance from John Kingman, the shadow executive chair of the new body, who sees it as being a relatively light body that would not have a large amount of policy and strategy staff, and activity. It is in that space that I think danger potentially lies, so it would be good to see his suggestion of a slim overarching body being carried forward and made as clear as possible in the process of creating the new body.

Liz Smith: Do you agree with Professor Yellowlees's view that there should be Scottish representation on each of the new research councils?

Dr Fancey: Yes. The research councils have operated very well for many years for all of us in the UK but particularly for us in Scotland, as has been reflected on more than once this morning. That is partly because they are directly responsive to, and work very closely with, the research communities that they serve. The history of those

research councils bringing into their boards, committees and advisory structures experts in their various disciplines from across the UK is one that we would very much like to see maintained. Whatever the post-change governance structures of the new research councils or committees—however they are termed—we would very much like to see maintained the current openness in drawing on the ability of researchers from across the UK.

Liz Smith: Clearly, one of the outstanding features of Scottish universities is their ability to attract a greater percentage share of top-class research funding than might be expected. What specific qualities of Scottish universities do you believe make that possible?

Dr Fancey: Clearly, there are some extremely good people working in our Scottish universities from across Scotland and the United Kingdom, and from around the world, who have chosen to build their careers in our excellent universities, which is the strongest component of their success. However, we have some extremely valuable structural advantages in Scotland, one of which is an incredibly collaborative culture; the ways in which Scottish universities work with each other at the level of disciplines and work as a sector through Universities Scotland is a distinct strength of our system. The funding council, working with the universities, has acted at various points over the years to support and nurture that culture through the research pooling initiative, for example, and the more recent collaborative work that we have been doing on all manner of things, from entrepreneurship to innovation support. Collaboration is therefore a very important feature of the system that supports that excellence.

Liz Smith: How comfortable are you that the Westminster Government recognises the strengths of the Scottish institutions in that respect? Are you confident that it recognises that that is something that must not be lost?

Dr Fancey: The discussion that the committee had with the previous panel and is having now with us reflects the fact that we are not complacent at all about the change from the research councils, HEFCE and Innovate UK to a system that brings those together. There is a concern that our distinctiveness and our ability to operate in ways that are different and effective could be less recognised. We welcome the letter that appeared overnight that shows that, for the formation of UKRI, it is proposed to give some consideration to the diversity of the UK's research and innovation cultures. That is a great step but, as we have said this morning, more could be done to give us even more reassurance.

Liz Smith: We agreed earlier that it would be helpful to have a united front on supporting further

amendments to the Higher Education and Research Bill. Would the funding council welcome that?

Dr Fancey: Most definitely. The committee will see from the submissions that it has had from various parties, including those in the earlier panel and us, that we are of a similar mind on the issue and, indeed, share the views of ministers in their representations to their colleagues in Westminster about the safeguards and structural provisions that we would like to see in the bill, if possible. Certainly, there are operating protocols and practices that we definitely want to see in addition.

Liz Smith: Thank you.

The Convener: As there are no other questions on the LCM, I thank the panel for its attendance and evidence.

11:27

Meeting continued in private until 11:47.

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