BUILDING A
SMARTER FUTURE

TOWARDS A SUSTAINABLE
SCOTTISH SOLUTION FOR THE
FUTURE OF HIGHER EDUCATION

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SCOTTISH GOVERNMENT

MINISTERIAL FOREWORD

On coming to power in 2007, this Government set out its core purpose of creating a more successful country, with opportunities for all to flourish through increasing sustainable economic growth.

The valuable contribution our higher education sector makes towards this overall purpose and to the National Performance Framework is clear and has been borne out in several recent studies.   It is also clear that higher education in Scotland is a key factor not just in creating a smarter Scotland and a wealthier and fairer Scotland but also in ensuring a safer and stronger Scotland, a healthier Scotland and a greener Scotland.

The desire of all sections of Scottish society to sustain and build our higher education institutions is therefore not in doubt, for Scotland fully recognises the need to secure for the long term the excellence of what exists and the positive contribution that higher education has made and goes on making to all aspects of our national life. But the present financial situation and the restrictions placed upon Scotland through the devolution settlement now create special challenges. Some of those have been seen in the recent budget settlement though that settlement has also proved that the sector can and will rise to the difficulties of the times.

But even without these challenges it would be appropriate to seek, at this juncture, a longer term solution to the perennial issues inherent in providing the right context for a higher education system which is not only significant to Scotland but which plays an important role on a world stage.

Of course similar debates are taking place elsewhere and south of the border there are radical – and we believe regressive – changes afoot in the funding regime. It is now clear that in England, the responsibility for supporting higher education is being shifted by the Coalition Government from the public purse to the individual graduate, a move that was started by the previous Westminster Government.   That is not a route the Scottish Government intends to travel.   We reject the socially divisive view that students and graduates should take full financial charge of their own education.   This approach discriminates against the poorest, puts barriers in the way of learning and would over time massively diminish the potential of Scottish society. It directly contradicts our longstanding national belief in the commonweal and fatally undermines the social contract that citizens in Scotland have with the state. We will therefore continue to guarantee access to higher education based on the ability to learn, not the ability to pay.

In addition we are confident that public opinion in Scotland remains strongly in favour of ensuring that the prime responsibility for funding education at all levels remains with the state.   Indeed the higher education sector in Scotland has confirmed its view that this Scottish tradition is of value and should be preserved.   Consequently, our clear guiding principle in seeking long term stability for Scottish higher education – the so called "Scottish Solution" – will be the retention of public funding at the maximum sustainable level whilst also seeking new sources of revenue and enhancing existing ones and of course striving to get best value for every public pound and penny spent in and by the sector.

Since March 2010, I have been engaging in conversations across the sector, and beyond, about what elements may make up this Scottish Solution. These discussions have been as stimulating as they have been thought provoking and I have welcomed the open, honest and constructive manner in which everyone has approached them.

The aim of this paper is to reflect the broad range of views offered to me as part of these discussions and to set out the range of options before us. With this paper I want to stimulate a wider, more vigorous discussion right across Scotland which will lead to a conclusion about what the Scottish Solution will be. What is certain is that it will consist of several components, dealing with organisation, access, the learner journey, funding and structure (amongst other things) and that it will not be entirely the same for all higher education institutions.

The sector has agreed that the timescale for devising the Scottish Solution and implementing it must be short. The Browne Review south of the border, which is about substitution of funding streams, not additional monies, will – it seems likely – lead to major reforms taking effect in the academic year 2012/13. Scottish universities must be able to respond to any new challenges at the same time.

We will now need wide and intense engagement in the early months of 2011. A short life technical working group established between the Scottish Government and Universities Scotland which will consider the size and nature of any gap in funding between north and south of the border which may be opening up, and comment on the possible effect of some of the funding solutions in this paper in terms of helping to close that gap. This will report to a reconvened cross party summit by the end of February 2011.

It will then be up to each of the parties to consider what policy it will offer in the May 2011 Scottish election, mindful that there will be a need for all the parties to commit to implementing agreed solutions during the second half of 2011 in order to have financial effect in 2012/13. I would anticipate that if successfully re-elected this Government would legislate in the second half of 2011 to allow implementation within the agreed timeframe.

By presenting a wide range of ideas, not all of which are supported by the Government or would ever be implemented by it, nor by any individual part of the sector, but which are nonetheless, relevant and thought provoking, I hope to stimulate radical intensive thinking and decision making.

The Scottish Solution will, however, when reduced to its essential parts, require to provide clear, compelling and successful answers to just three questions:

- how can higher education play an even greater role in support of Scotland's future success?
- how can we use our current resources even more effectively?
- how can we increase funding to the sector to ensure it remains both nationally and internationally competitive?

I look forward to helping to discover the right answers to those questions over the next few months.

MICHAEL RUSSELL
Cabinet Secretary for Education and Lifelong Learning

CONTENTS

CHAPTER 1

INTRODUCTION

Role of Higher Education

It is right that at the very outset of this paper, there is an attempt to define the purpose of higher education in Scotland and to be clear about our vision for the sector.

Higher education in Scotland has a centuries old commitment to excellence in teaching, research and knowledge exchange. This must be maintained in the context of financially challenging times and against the forces of globalisation.

Higher education in Scotland is the mainstay of our knowledge economy and serves the overall economic purpose of the nation at the highest levels. Yet it is not just about money; higher education in Scotland is a civilising force which has had a major influence on creating Scotland and Scottish society as it exists now. There is a plurality of purpose in supporting higher education within Scotland and each of the existing higher education institutions has its own role in contributing to the whole.

The contribution of Scottish higher education, not just to a past Enlightenment, but to a continuing Enlightenment of the nation needs to be constantly borne in mind. The sector provides cultural energy and cultural leadership and it is a key conduit for taking Scotland to the world and the world to Scotland. It provides cutting edge contributions to our environmental understanding of our planet, it blazes trails in the knowledge of our own bodies, it finds new paths for healing, and it explores new ways to express our individual creativity and consciousness.

Higher education in Scotland is a vital component in a global knowledge community and the sector is also a major direct and indirect earner for Scotland in the world. Our universities have a key role to play in supporting the growth of our economy. They preserve and enhance civil society. Their mix of income from the state, private sector and philanthropy gives them a unique standing and allows independent critical thought to flourish.

Scotland's history is in many ways defined by its approach to education. Our commitment to a free, inclusive system of providing educational opportunity for all, is a key aspect of our society. Indeed, the democratic nature of the Scottish system so impressed the 18th century writer Daniel Defoe that he remarked that in Scotland the 'poorest people have their children taught and instructed'. That the openness of the Scottish system ran all the way from the schoolroom to the university was acclaimed even then. These links across our education system between schools, colleges and universities remain a vital strength of Scotland today.

Evolution of the Sector

Scotland's universities[1] developed in three broad phases – establishment, the expansion in the 1960s and the creation of new universities in the 1990s. The so-called „ancients' (St Andrews, Glasgow, Aberdeen and Edinburgh) were established in the 15th and 16th centuries. Scotland continued to have four universities until the 1960s when, following the Robbins' Report, Dundee, Strathclyde, Heriot-Watt and Stirling achieved university title. The Open University was also created in the 1960s. The next major expansion came with the 1992 Further and Higher Education Act when the distinction between universities and polytechnics/colleges of education was removed.

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[1] Throughout this paper we use the terms university and universities to refer to all of Scotland's 20 institutions of higher education.

At that time, Glasgow Caledonian, Napier, Paisley (now merged with Bell College as the University of the West of Scotland), Robert Gordon and Abertay became universities. By 1998 Queen Margaret University College had obtained full degree awarding powers and gained full university title, becoming Queen Margaret University in 2007.

Our university sector is currently made up of 20 institutions. This includes the 14 campus-based universities mentioned above and the Open University, a UK-wide distance learning university. In addition, we have UHI Millennium Institute, a partnership of colleges, learning and research centres which provides university-level education to people throughout the Highlands and Islands of Scotland. Its application for title is presently being considered and a decision is expected in early 2011.

Our small specialist institutions – Glasgow School of Art, Edinburgh College of Art and Scotland's conservatoire, The Royal Scottish Academy of Music and Drama – are recognised internationally as institutions of renown and distinction in creative education and research, while the Scottish Agricultural College successfully supports the development of land-based industries and communities. Higher education's diversity is further enriched by Scotland's colleges, 35 of which provide 20% of our higher level provision.

Throughout its history, Scottish higher education has competed with distinction on the world stage and this remains the case today. From a country of just five million people, we have five universities in the top 150 in the world. In comparative terms, only England, the USA and China fare better. We also punch above our weight in research: 1.8% of the world's cited research comes from Scotland with just 0.1% of the world's population. This makes Scottish-based research the most cited by GDP in the world.

Participation

Scotland has historically enjoyed high levels of participation in higher education, a reflection of the fact that, up until the 20th century, Scotland had more universities per head of population than most other nations. Today there are **231,260** students in Higher Education Institutions (HEIs) with a further **48,355** studying sub-degree level HE programmes within the college sector.[2] Scotland's traditional measure of participation is the Age Participation Index (API). This indicator estimates how many young people are likely to enter higher education at any time before they reach 21. The API was 43% in 2008/09.[3] In 1945 it is estimated that the API equivalent was 2%[4]. By the early 1960s that had grown to around 10%[5].

University Funding

Since devolution, higher education has received record levels of state funding. In the 2010-11 Draft Budget Scotland's universities have had a comparative cash increase of just over £42.9m in resource funding from 09-10. This represents a **4.3%** cash increase and a **2%** real terms increase. In 2000-01, around £581m was spent on recurrent higher education funding: by **2010-11**, this had increased to **£1,034m[6]**. This equates to a 78% cash terms and 37% real terms increase over that period. However, the overall dependency on core funding from the state varies from institution to institution, with the highest being 72% for University of the West of Scotland and the lowest being 28% for St Andrews[7].

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[2] Students In Higher Education At Scottish Institutions 2008-09, Scottish Government, March 2010.

[3] http://www.scotland.gov.uk/Topics/Statistics/Browse/Lifelong-learning/API0809

[4] p31, "Quality and Standards" by Stewart Sutherland in: *A Future for Scottish Higher Education*, Edited by Ronald Crawford for the Committee of Scottish Principals, 1997.

[5] Based on Robbins Report 1963.

[6] These figures include changes to the institutional landscape and growth in student numbers.

[7] Figures from the Scottish Funding Council (SFC), based on 2008-09 income. Proportions used apply to the core funding from the SFC and do not include income raised from tuition fees.

Challenges

We now know that this period of sustained budget growth for the sector is coming to an end. The 2011-12 budget sets out the part that the higher education sector has to play in helping us meet the £1.3 billion reduction to the Scottish budget. This will mean a reduction of £67m in the next financial year. A reduction of this size will create real challenges for the sector and in this difficult time we appreciate the constructive way that the universities have engaged with us to ensure overall student numbers can be maintained.

As well as these budget pressures we are also facing challenges from elsewhere. Worldwide, the university sector is becoming more competitive and a true global market now exists.

We must not only develop a Scottish response to these challenges, but we must also ensure that what we do now creates a sustainable model for the short, medium and long term. Too often, solutions to such issues have resulted in „bolted-on' additions to our system which have resulted in cumbersome or complex changes and a reduction in the flexibility of institutions. In developing a new solution, we must be bold and radical. Our solution this time must have creativity and innovation as its hallmarks. It must be flexible enough to exist beyond our current horizon, anticipating changes we cannot yet foresee.

Institutions in the main understand this need for flexibility and there are many examples where this is being demonstrated now. The challenge for Government is to make sure we encourage, promote and embrace our sector's natural predisposition for innovation and creativity wherever it occurs rather than inhibiting it or unintentionally erecting barriers to progress.

Guiding Principles

Extensive discussions have taken place over the past nine months and these have provided a clear view from the sector on what the real issues are. There has also been a degree of agreement on what key principles should guide the debate, the overall guiding principle being the primary role of the state in funding higher education. Beneath this, the following principles have emerged and will be of assistance as we seek the Scottish Solution. These are set out below.

Open to all: Our system should give all those who can benefit the opportunity to do so, removing barriers to access where they exist;

Flexible: The sector should offer a wide range of provision in different ways to meet the diverse needs of students and business;

Learner centred: Funding systems and provision should be designed around the needs of learners and should be simple, transparent and accessible;

Diverse: We need to encourage and nurture diversity in the mission of our universities and colleges encouraging them to focus on the areas where they excel;

Excellent: The aspiration to quality and excellence should continue to be core to all we do, whether this is in access, research, teaching, engaging with business or any other activity. Quality must be a key determinant in all aspects of the Scottish Solution and we must recognise the importance of the link between teaching and research;

International: Our work should be recognised internationally and our institutions should extend their work abroad, contributing to the promotion of Scotland overseas;

Well-led: This all depends on having strong, properly governed institutions who are financially stable and who are leading innovation and change across the sector. They must also prioritise collaboration and co-operation between themselves and with other sectors, such as schools and colleges.

Approach

There is no „silver bullet' that will address the current or future challenges, so the Scottish Solution will be assembled from a number of different ideas. This paper tries to reflect the range of thinking on a number of key areas: making the learner journey more effective; continuing to improve the utilisation of our research and knowledge exchange; enhancing our international reputation; supporting students; increasing funding and using this more effectively and re-shaping the sector.

The ideas expressed in this paper are varied and sometimes may even be contradictory and they set out many different directions of travel. These ideas should be used to stimulate a vigorous discussion on what the Scottish Solution might look like, what principles should guide us in developing it and what our priorities should be for implementation in 2012-13.

To facilitate this discussion, we will host public meetings and encourage debate through Engage for Education[8], our groundbreaking online public participation resource which enables people right across Scotland to engage directly with the Scottish Government about the educational issues important to them. In addition, those interested will be encouraged to formally submit their views. More details on how to contribute to this debate are included at the end of this document.

Impact and Operation

At the start of each section of the paper we have given an indication of what the potential financial and organisational impact of actions in that area might be. Because we recognise that this focus on financial and operational considerations is important, we will establish a short-life working group with representatives from the sector. We will ask experts on this technical group to assess, based on the statistical, economic and policy evidence publicly available, whether a gap in income between universities in Scotland and England might occur by the end of the Spending Review period (financial year 14/15) and what that gap might be. The group will also provide their assessment of the potential of each of the funding options in the Green Paper to close that gap. Their work will be transparent, it will be open to the public and it will inform the wider political debate as we look to reach our conclusions.

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[8] http://www.engageforeducation.org

Timetable

We realise that there are a lot of issues that we need to cover and that the timescales involved are tight. With that in mind it may be useful to set out a timetable of activity:

Dec 2010   Launch of paper
                      Establish short-life working group
                      Open debate on Engage for Education

January 2011   First public events
                      Short-life working group begins analysis

February 2011   More public events
                      Short-life working group concludes and publishes analysis and any conclusions they have reached on the potential of each of the funding options in the Green Paper to close any funding gap.
                      Cross party summit reconvened to consider that analysis

March 2011   Final meetings and public events

April 2011   Debate moves to election campaign

May 2011   Proposed Scottish Solution brought forward by Government, informed by responses to this paper and the final short term working group information.
                      Target implementation for academic year 2012-13

CHAPTER 2

LEARNING, TEACHING AND ACCESS

OBJECTIVES

The fundamental challenge here is how we can encourage even greater flexibility in what the sector currently offers. The four-year degree is and will remain the core offer of our universities (it is, after all, the international norm and is being introduced in Hong Kong, for example, to supersede the three year degree which presently exists there) but we want to explore ways in which we could make the learner journey more effective for learners, more efficient for the public purse and how we can make our funding systems more flexible to encourage institutions to be innovative and creative in developing courses that meet the changing needs of a diverse student population and our economy, through recovery and into prosperity.

We will retain a strong focus on quality and develop policies which celebrate and recognise excellence in teaching in the same way as we do for research. We must also make greater progress in improving access to universities.

SUMMARY OF IDEAS

- Linking to education
- More flexible admissions
- Reforming „the learner journey': early or accelerated entry, flexibility, articulation, funding
- Recognising teaching excellence
- Widening access

POTENTIAL IMPACT

The ideas in this chapter are unlikely to increase income to the sector in the short term. Over the medium term, many of them (especially those around developing a more efficient learner journey) should deliver efficiencies. This may allow institutions to deliver a series of outcomes within a lower cost base, in turn building a strong case for any savings to be re-invested in the sector.

INTRODUCTION

Learning, teaching and access lie at the heart of the university experience for many students. In the four-year degree, we have an internationally recognised standard of education which is key to the reputation of our sector at home and abroad. This will remain the cornerstone of what our universities offer to prospective students, but we must look at how the system can become even more flexible in recognising and delivering a high quality higher education experience. The higher education sector is socially diverse and the make-up of the student body will continue to change. The number of 18 year olds in the population is expected to fall by 9% in the next 5 years[9]. This will create challenges for the sector and may see greater demand from mature and part-time learners looking to learn in more flexible ways, studying over shorter or longer periods, according to their particular needs. Such flexibility will be key to our economic success in future.

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[9] Based on GROS, Projected Population of Scotland (2008-based), additional data.

We should do more to recognise the increasingly diverse needs of different types of students. Universities are already meeting these challenges across a range of undergraduate and postgraduate provision. Our responsibility is to do what we can to ensure that our mechanisms for institutional funding and student support do not create unintentional barriers to further creativity and innovation, but instead reward and incentivise universities. Our approach should be driven and actively shaped by the sector's desire to respond to new challenges.

In considering how a student progresses through the education system – what we refer to in this paper as the Learner or Learning Journey – we want to consider where we do not necessarily meet the needs of learners or provide value for money. The often quoted example of this is the perception of „wasted time' or overlap between the sixth year of school and first year at university. Such duplication is costly and of little benefit to the individual, so we should consider how we can make the system more flexible and encourage progression through different levels of learning more effectively than occurs at the moment.

IDEAS

Linking to Education

The roll out of the Curriculum for Excellence (CfE) in Scottish secondary schools in August 2010 represented an important milestone in the Scottish Government's reform of the learning journey. It will require universities to respond to a new generation of students with a different school experience, a different skill-set and different expectations. This different approach to learning sits well with universities' concepts of graduate attributes so the opportunities to engage positively on CfE are significant. Universities are already planning to adapt their current approaches to teaching and learning in ways that will meet the needs of a new generation of students.

The senior phase of CfE offers young people between the ages of 15 -18 a range of choices in how and what they learn. The new challenge for universities will be to ensure that upon the foundations laid at school we can build and develop self-assured, confident and responsible graduates with good core skills who are able to adapt to an increasingly uncertain and turbulent employment landscape that is likely to lie in front of them.

- *What more do universities need to do to respond to this new generation of students?*

More Flexible Admissions

One of the key principles of CfE – personalisation and choice – will lead to greater variety in how qualifications in school are achieved. Young people will experience learning in a wider range of contexts through, for example, out-of-school-hours learning or involvement in the voluntary sector.

Under CfE, learners will have increased flexibility to enable study towards Highers from fourth year at school, perhaps attaining them over a one or two year period. We recognise that these changes will pose questions for institutions, especially those whose admissions systems may not recognise such flexibility at the moment. Universities rightly have autonomy over their admissions policies but we would welcome a wider discussion on how they can factor greater flexibility into their admissions processes. After all, CfE will produce a different type of learner who will present themselves with a far more varied portfolio of school qualifications than ever before.

This flexibility also has to extend beyond school leavers. There is some excellent practice in recognising the prior learning of mature learners. We need to adopt this best practice as a minimum benchmark right across the sector, ensuring that entry to courses happens at Scottish Credit and Qualification Framework (SCQF)[10] levels which properly reflects the academic and other, often wider, experience of the individual.

- *How can we work more closely with universities to encourage greater recognition of the more varied and flexible routes that can be taken by school pupils when working towards a portfolio of qualifications.?*
- *Can we also work together to develop more sophisticated ways of recognising prior experience and learning using the SCQF?*

Learner Journey: Encouraging early or advanced entry

As discussed above, there is a widely held view that the period of learning between the sixth year of school and the first year of university can involve a significant degree of duplication. Learning which occurs twice is neither relevant nor challenging for young people and it is not cost effective for the public purse.

Some universities have questioned the value of a sixth year of study at school for those students who have gained unconditional university places and some schools suggest universities duplicate work which learners have completed in sixth year. One way to encourage more advanced entry could be to focus resources (whether institutional or student support or both) on the first year to incentivise early entry.

Another, complementary approach would be to encourage learners to make more use of the sixth year at school to achieve qualifications which would give them advanced entry to the second or third year of a degree course. At the moment, such advanced entry is currently offered by some universities to students with Advanced Highers, Scottish Baccalaureates or Higher National qualifications[11]. Our schools need to offer these qualifications in much greater numbers than happens at present.

Students gaining these qualifications experience a shorter overall learning journey. As with removing duplication, this also brings savings to both the individual student and to the Scottish Government. Alternatively, opportunities to develop educational qualifications in sixth year could be enhanced through universities building links with schools to offer higher education level provision in schools. This is already happening in some areas, for example through the Open University and UHI Millennium Institute, and in the right circumstances could ensure that individuals were able to improve their qualifications in school to support advanced entry.

We believe that there should be greater opportunities for young learners to enter the four year degree at a later stage. We understand that this already happens but to varying extents across the sector, so would like to consider how it could be better incentivised or supported.

- *What barriers prevent young people at school from taking more Advanced Highers and the Scottish Baccalaureates?*
- *Should incentives be brought into student or institutional support to encourage advanced and/or early entry?*
- *What should be the respective roles and responsibilities of schools, learners, parents and universities in bringing about this change?*

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[10] www.scqf.org.uk

[11] Students from elsewhere in the UK can also gain advanced entry with A Levels in some cases.

Learner Journey: Greater flexibility in provision

As well as early or accelerated entry, one of the other areas we should explore is around increasing the flexibility in the way the four year degree is delivered. In certain cases, some students (and even some businesses) would like to see more choice in the way degrees are provided. For some this may mean teaching through the summer to reduce the time taken to complete a degree. For others this could mean a more modularised system that allows greater flexibility for the individual on what to study and when, blurring (or removing) the boundary between full and part-time study. Some institutions, most notably the Open University, already offer provision which fits this model and around half of the higher education in the college sector is part-time. Can more be done within the current financial restrictions to encourage and incentivise such approaches in future?

One suggestion to increase flexibility across the sector would be to allow students to change institution if they believe doing so would better meet their needs, and if the receiving institution has the capacity to admit them. Student choice and learner demand should be the key drivers with students considering whether they want to study more intensively over a short period of time or combine study with their work commitments and complete the learner journey at a slower pace. This could be much longer than the traditional four year period.

As well as meeting learner demand, such flexibility is also likely to be more attractive to employers and it may allow us to build on the relationships which already exist across the sector to bring in more support from businesses who want their employees to retrain or up-skill. While broad academic qualifications are, and will remain, the core offer of the higher education sector, we need to consider whether there is scope to expand the range of courses that could provide direct links to business and some professions. This should not necessarily be the core of all degree level study, but it is likely to be attractive to certain students and employers.

Such schemes would put a greater emphasis on the SCQF, on more sophisticated ways of recognising prior learning and experience and on creating more clearly defined entry and exit points for students. Success could be recognised after one or two years of the degree if students decide to leave university at that stage.

Another aspect of this might involve working to establish a greater recognition among employers of the three year ordinary degree. For some professions and businesses a three-year degree may meet or even exceed their requirements and, where this is the case, it could be encouraged if the degree is also relevant and beneficial to the individual. A more flexible system would allow such individuals to return to study for an Honours year in the future, if this was required.

Again, there is good evidence of this activity in the sector, but we need to promote it more widely, ensuring that the way in which we fund institutions and students encourages maximum flexibility. Institutions should feel empowered, not held back, in their wish to diversify and innovate even more in the future.

Finally, it is safe to assert that many future advances in human knowledge will come at the interface of university disciplines. So called „cross-disciplinary' learning, teaching and research – where undergraduate and postgraduate qualifications cover a series of different subjects offered within a university – should be encouraged to develop more as the norm rather than the exception. We believe this can happen whilst still respecting and preserving what academics refer to as "mono disciplinary traditions".

- How can institutional and student funding be redesigned or developed to support and encourage increased flexibility and innovation in how institutions deliver higher education?
- What more can be done to stimulate more flexible provision and links with business on teaching?
- Could we do more to re-build the reputation and promote the benefits of the ordinary three-year degree?
- How can we use our funding to encourage university academics to collaborate across a range of subjects, both within the institution and across universities?

Learner Journey: Higher education in colleges and articulation

Across Scotland there are many examples of strong links between universities and colleges. These links tend to be based on positive relationships between institutions where courses are developed in tandem to ensure that there is clear educational connection between what is taught in the college and the university with a view to ensuring that learners can make a smooth transition from one to the other.

Such movement between college and university courses is commonly referred to as ‚articulation'. Since 2007 the Scottish Funding Council (SFC) designated Articulation Hubs have been working both within their respective localities, and at a national level, to create partnerships which support articulation between some HN programmes and degree qualifications. This work has been guided by *Articulation for All*?[12] and its definition of articulation as "… entry to the second or third year of a university degree course using a Higher National Certificate or a Higher National Diploma (HNC/D) gained in a college as an entry qualification". Articulation forms an essential part of our system both in offering a route to degree level study (which can be the best route for those who have no previous involvement in higher education) and in offering routes for up-skilling and cementing links between high level technical and academic education where employers require it.

Higher National and other sub-degree qualifications fulfil a number of important roles for learners and the economy, not least as qualifications in their own right which prepare learners for occupational or professional roles that form an essential part of the skills base needed to grow our economy. In many cases, and despite the fact that Higher Nationals have been designed and are assessed as stand alone qualifications rather than with articulation in mind, these qualifications can enable students to progress to degree-level study.

Our central proposition is simple: from school to university is not the only route to gaining a degree. There are many reasons why some learners take different routes over longer periods of time. We believe that we have yet to unlock the key benefits of articulation, but we are mindful that this has to be balanced with the costs of developing and implementing a more flexible system. The reality of the links between colleges and universities varies across the sectors reflecting the diverse roles and missions of the institutions in both. This is highlighted by the fact that five universities are responsible for 90% of all articulation.

In developing any Scottish Solution we need to consider the role that articulation must continue to play in our offer and where this can benefit students – particularly in encouraging participation from students from less privileged backgrounds given that colleges generally have a higher proportion of such students. The challenge here is to build on the strong basis we have to ensure that links between the sectors are optimised and provide more opportunities for students to move between the sectors when it is academically the right thing for them to do.

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[12] http://www.sfc.ac.uk/web/FILES/Consultations_SFC052007C_ArticulationforAll/sfc052007c.pdf

We also have to be clear that any measures being brought in elsewhere, for example any changes that may be made to student support, must encourage, rather than prevent, such movement.

- *What more can be done to ensure that articulation links are increased and that the potential barriers to articulation in both colleges and universities are reduced?*
- *Do we need to reconsider HN qualifications or augment them in light of the fact that they are designed as stand-alone qualifications and not with the primary goal of articulation?*
- *How do we achieve the balance between ensuring colleges maximise opportunities for their students to articulate and that universities maximise the numbers of students who can gain the appropriate entry with HN or equivalent level qualifications?*
- *Are there wider policy considerations we should take into account in the process of re-examining articulation and its heavy reliance on initial participation at colleges as a major plank of widening access?*
- *Alternatively, could there be an argument for encouraging many more students to enter higher education at colleges and to articulate to universities only for the last part of an undergraduate degree? Would such a system be more cost effective for both institutions and students?*

Learner Journey: Alternative routes

According to Scotland's Colleges, higher education is cheaper to deliver in a college than in a university – they quote average figures of £3,117 for a full-time student in a college compared to £5,708 in a university. Clearly, precise comparisons are difficult to make on purely financial terms. College provision is primarily at SCQF levels 7 and 8 and tends to be based on technical skills, whereas the fundamental basis of university education is research-informed teaching. This often requires specialist laboratory or information resources which by definition tends to be more expensive to deliver.

We recognise that beginning the university experience anywhere other than in an institution of higher education, as a blanket measure, makes no sense. Some universities, such as the small specialist institutions, offer unique curricula which it would be impossible to replicate in a college environment. The same is true for many of the professions – such as medicine and law – and science based courses. However, there may be groups of institutions across further and higher education that would like to explore with us areas where there might be the possibility of delivering the start of the degree, in some instances, outwith a university?

- *Would there be merit in some institutions doing more to deliver early parts of a degree outwith the university environment where there is academic comparability?*

Learner Journey: funding

At the moment, all the things we have discussed around improving the learner journey happen in the sector, but as we have touched on, there is a perception that there are few incentives in the current funding mechanisms for students or institutions to encourage this. In fact, some would suggest that current structures can actually be a barrier to more innovative and flexible provision. The Scottish Solution should include ideas on how our approach to funding could change to encourage and incentivise this. Possible options are set out overleaf:

- **Funding by outputs** (for example, numbers of graduates): this may encourage institutions to offer more accelerated options, where this is appropriate academically, to produce more graduates within current systems. It may also provide incentives for more certified exit points from degree courses. We would need to fully consider whether this would create unintended consequences: for example would institutions pass students who do not meet academic standards if funding depended on graduates?

- **Limiting student and/or institutional funding at each SCQF level to avoid duplication**: under such a system we would fund sixth year at school or first year at university, but not both. Learners could then choose the best route for them within those limitations. This could also encourage institutions to respond to demand for advanced entry. Consideration would have to be given to how to treat mature learners under such a system so we do not unintentionally prohibit re-training later on.

- **Free first year**: another model would be one where the first year is fully subsidised which would address issues around access and learner choice. After that students could make some contribution – possibly in the form of a graduate contribution which will be discussed later in this paper – based on what direction they then wished to go, and where they wished to study.

- **Only fund three years of a degree**: should we limit Government support to a certain period of time, say three years? This might be one way to encourage advanced entry and articulation, while also giving those who want to study for the full four years the opportunity to do so, if they cover the cost of their final year. Care would have to be taken not to create a system where only those who could afford to pay for a final year studied at Honours level. Support for an additional year could be given in certain circumstances, for example if a student enters university directly from fifth year of school or if a year has to be re-taken in exceptional circumstances.

- **Student transfers**: under this model, students who have completed their first year, could transfer to another institution, taking their funded place with them. This would allow an element of student demand to drive the future shape of the sector. However, concerns have been raised that it may increase the administrative demand for institutions and it could create unmanageable instability for others.

Clearly, any action here would need to consider the wider consequences of academic requirements on courses and the potential impacts on other funded university staff activity including research, conference activity, widening access and summer schools. More consideration of funding is given in Chapter 6.

Teaching Excellence

One issue which has featured in many discussions while drafting this paper is around how to properly recognise teaching excellence. It is obvious that such excellence exists in Scotland and has done for many years. For example the Scottish medical schools have, through their teaching, contributed particularly and disproportionately in terms of output and excellence to the medical profession across the UK and worldwide, a fact that was recognised in the founding legislation for the National Health Service. The Research Assessment Exercise recognises, and the UK Funding Councils reward, excellence in the research activities of our universities.

Could we do the same with high quality teaching and learning? Excellence in teaching could help to raise standards yet higher, especially if it were to be rewarded. Student choice or the Student Satisfaction Survey[13] might also be used as a proxy for determining excellence.

- *Could our universities be required to demonstrate how the quality of their teaching leads to graduate employment opportunities or other forms of outcomes?*
- *How would they do this and how would we incentivise and reward it?*

Widening Access

In recent years, we have made steady progress to widen access. However the factors which affect participation in learning amongst those who come from disadvantaged backgrounds or who have particular support needs are varied. They include (but are not limited to) immediate employment prospects, family circumstances, peer support, parental support, practical support around access and attitude to debt. A multi-faceted approach to these issues is needed to drive forward participation rates.

In seeking to widen participation we have sought to tackle financial barriers to entry through student support policy. However while we have made steady progress in widening participation, there is still a long way to go in achieving equality of opportunity and outcome for people from different backgrounds. In 2008-09 young entrants to first degree courses from the 20% most deprived areas of Scotland was 14.9%: under represented by 4.3% compared to the population in these areas as a whole[14].

Entry to higher education is not just from school to university. As we discussed earlier, colleges, part-time study and older learners are all part of the higher education 'mix', particularly for those from deprived areas. Colleges play a significant role in the provision of sub-degree qualifications for this group. In 2008-09, 21.7% of entrants to higher education in a college came from one of Scotland's 20% most deprived areas[15]

Current approaches to widening access to higher education in universities have not produced the step change in participation that we would have liked. As a result of this, the SFC is reviewing its approach to funding widening access initiatives and the outcomes of this review will inform thinking on how any new system should protect access.

The challenges on access lie not just with universities, but throughout the education system. From nursery and through school, education should be preparing our young people and raising their aspirations from an early age so that background is not an issue by the time an individual reaches the stage of applying for university. Much work in the United States is focussed on this issue, including the work of the KIPP (Knowledge is Power Program)[16] schools. The role then for universities is to extend links with schools and colleges to contribute to raising these aspirations from the earliest ages. Mentoring schemes and school-student buddies are two of the ideas we believe should be explored further, with the National Union of Students in Scotland (NUS) encouraged to play an active part.

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[13] www.thestudentsurvey.com

[14] Students in Higher Education at Scottish Institutions 2008-09, http://www.scotland.gov.uk/Publications/2010/03/18144043/0

[15] Ibid.

[16] www.kipp.org

If we accept that raising aspirations in school is the key to widening access then we should consider the effectiveness of our current approaches to encourage wider access by targeting funding at universities. If this is not working effectively we should consider whether the funding should be transferred to, for example, local authorities to invest in early years education to raise aspiration rather than supporting regional hubs of colleges and universities? Is this an either/or choice? Should we be looking to achieve a better balance in how we support such activity?

- *Within the new Scottish Solution where should we focus our investment and activity to raise aspirations and widen access to university?*
- *Should more work be done to encourage young people at school to aim for higher education and by so doing seek to increase access?*
- *What is the role of early years intervention in driving up access?*

CHAPTER 3

RESEARCH AND KNOWLEDGE EXCHANGE

OBJECTIVES

Our university research in Scotland is recognised as being among the best in the world and covers a broad spectrum from basic to applied research. Research takes place in all disciplines and excellence is found across all subjects. In medicine, in science, in the arts, in the social sciences, in public policy and elsewhere research undertaken in Scotland has had a significant impact world wide. Of course not all of this has been as well reflected in terms of growing the Scottish economy as might have been wished. The challenge through this chapter is to explore how we can sustain an environment in which Scotland's basic and applied research continues to be internationally competitive and its impact is maximised for the benefit of national and international businesses, of local companies in Scotland and of Scottish society as a whole.

Some of the fundamental questions to consider around this could be: how much research does Scotland need to produce; what should the breadth of our research cover; how much research should the Government fund; and should our funding be concentrated on certain priorities or on certain institutions? We should consider how best to encourage more productive links between academics and local businesses.

SUMMARY OF IDEAS

- Encourage a different research/teaching balance in each university
- Concentrate funding on research excellence
- Concentrate research funding on Scottish Government priorities
- Promote international collaboration as an integral aspect of research pooling
- Promote a collaborative approach to training researchers
- Increase support for research where impact is greatest
- Improve collaboration between Scottish businesses and university researchers
- Maximise funding from Europe

POTENTIAL IMPACT

This chapter sets out a range of possible ideas to maximise the value from our public investment in basic and applied research, not all of which are mutually exclusive. Some of these are about focussing limited resources on key priorities or about collaborating to join up delivery; others may require an initial injection of investment to deliver longer term benefits not only to ensure an effective and sustainable research base, but also to maximise the impact of that research on growth in the domestic economy.

INTRODUCTION

Research in our universities has the potential to drive innovation and to contribute significantly to a smarter Scotland, a wealthier and fairer Scotland, a safer and stronger Scotland, a healthier Scotland and a greener Scotland. It is a crucial factor in increasing sustainable economic growth and in improving lifestyles and the general good of society.

It contributes to tackling the local and global challenges that we face, such as the move to a low carbon economy, supporting an aging population and mitigating the impact of disease. Our research also enhances the cultural fabric of our society.

Research covers a broad spectrum, from basic (so called „blue skies') research with no obvious end use, to applied research with an end use in mind. While applied research is usually recognised as having the most immediate impact, basic research has been responsible for some of the most ground-breaking discoveries that have a positive impact on our lives. It is therefore critically important to maintain both basic and applied research.

Scotland stands with a strong position in relation to our research and its impact. With 0.1% of the world population, Scottish research contributes 1.8% of the world's citations. We are ranked first in the world in terms of research impact per GDP[17]. Maintaining that world-leading position allows us to interact with other global generators of knowledge, allowing us to learn from, develop and make use of cutting-edge knowledge developed outside Scotland. In contrast to our university research, business R&D is relatively low by both UK and international standards. Business Expenditure on R&D decreased by £77m in real terms between 2001 and 2008, while overall expenditure on R&D increased by £248m over the same period. This makes Scotland even more dependent on the research activities in our universities to drive innovation.

In a report[18] examining the organisations, institutions and companies which generate and disseminate scientific knowledge and innovation, Scotland's strengths were found to include: high knowledge-generating capacity, effective commercialisation, and relatively strong performance in terms of spin-offs, licensing and commercialisation. Scotland also benefits from having a set of comprehensive R&D policies and support schemes in place. But the authors highlighted weaknesses, such as poor interaction between Scottish universities and the indigenous business base.

While Scotland's university research base is currently strong and productive, it is critically important to maintain our support for both basic and applied research while also encouraging business, government and universities to work together more effectively to realise the full commercial benefits of the knowledge created. Ensuring that links between academia and businesses are streamlined, efficient and sustained will facilitate effective innovation, commercialisation and deliver a long term impact on the economy.

Public funding of university research in Scotland involves both devolved and reserved aspects. Most funding is provided through two broad streams described as the „dual support' system: one stream supports research infrastructure (people, buildings and equipment) and facilitates change in the sector and is distributed by the SFC; the second stream supports specific research projects supported by the UK Research Councils and funded by the UK Government. UK Government decisions on allocations to the Research Councils directly impact on Scottish research. Scottish universities and research institutes currently secure around 11% of this UK funding which is significantly higher than our share of the UK population at around 8%. In addition, Scottish researchers are highly successful in competing for funding from the major charities (Wellcome Trust, British Heart Foundation, Cancer Research UK, etc), from businesses and from the EU.

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[17] http://www.scotland.gov.uk/Topics/Business-Industry/science/research-1/ResearchReport
[18] Roper et al (2006) The Scottish Innovation Survey: Actors, Roles and Actions

IDEAS

Encourage a different research/teaching balance in each university

The amount of research in each Scottish university already varies: eight universities secure approximately 98% of the project funding that is won competitively by all Scottish universities from UK Research Councils. Traditionally, universities are required to carry out research in order for them to be granted research degree-awarding powers and to awarded university title.

An increasing concentration of research funding might mean that the Government chooses to withdraw support for research in some universities, thereby concentrating their funding and activities on teaching, although it would be important to ensure that teaching continued to be informed by the best possible research throughout the world. Similarly, a loss of research funding might have an impact on the viability of related teaching programmes, with consequences on the breadth of teaching that could be offered. The smaller higher education institutions working in the cultural sector could also be severely disadvantaged, given the importance of cultural research to their work and to their ability to attract overseas students.

Like other areas of this paper, the concept of so called "teaching-only universities" would represent a radical departure from the approach set out in *New Horizons* and existing Scottish Government policy. It is not an idea we support. This paper is, however, intended to reflect a wide range of ideas, no matter how radical. This suggestion has been aired in the lead up to this paper's publication and we believe it would be wrong not to include it for discussion.

- *Do we need to retain research in all of our universities?*
- *How would we continue to ensure that teaching is informed by research?   What impact would this have on reputation?*

Concentrate funding on research excellence

Our current funding strategy for core research infrastructure provides the highest amounts of funding for the highest levels of research quality. A move to an even greater concentration of funding on the very best quality research should reinforce the drive towards excellence and help to maintain our global competitiveness. SFC could flex their current funding model by either simply removing support for lower levels of quality, or redistributing funding towards the highest levels of quality. It would still be possible under this model to ensure a minimum level of research funding in every university.

A strategy of concentration would be likely to drive rationalisation of provision and result in some disciplines and/or universities receiving very little or no funding for research. This might result in the loss of some disciplines and some applied research, and make it more difficult to retain research in every university. Restricting funding to research teams above a certain size might impact disproportionately on areas of research that are typified by lone or very small teams of researchers, particularly in the arts and humanities, although research pooling has helped to address critical mass for some disciplines.

- *Is it a more sustainable approach to move towards even greater concentration as opposed to supporting a spread of research?*
- *Should critical mass or minimum size of research unit be considered when allocating research funding?*

Concentrate research funding on Scottish Government priorities

This idea presumes that concentrating funding on those areas that represent a closest fit with the Scottish Government's priorities might make a disproportionate impact on increasing sustainable economic growth. This is already reflected in SFC's strategic research funding for knowledge exchange projects and in evolving links with the Scottish Government's budget for rural and environment research, but there might also be an option to consider extending this approach to core infrastructure funding. Increasing the focus on STEM subjects or on subjects closest to the priority economic sectors are two possible ways of doing this. However, there are recognised risks in adopting such an approach which include the need to maintain a strong basic research and a broad inter-disciplinary approach to research.

- *Would a focus of funding on Government priorities have a greater impact on increasing sustainable economic growth?*
- *Is it even possible to match areas of research to Government priorities?*
- *What impact would such an approach have on our basic research?*
- *Are there further opportunities to strengthen the impact of research on SG priorities through enhancing collaboration with organisations outside the university sector and if so how could this be achieved?*

Promote international collaboration as an integral aspect of research pooling

The earliest established pools demonstrated positive quality improvements as reflected in the 2008 Research Assessment Exercise (RAE). Building on this early success to promote international collaboration and knowledge exchange as key activities of existing and any future pools would help to ensure better alignment of research effort and priorities, ensure concentration and critical mass and, in the longer term, improve quality and competitiveness, maximising the impact of our research. Pools that incorporate international collaboration and knowledge exchange are also likely to be well placed in accessing strategic funding from Europe and businesses, putting them on a more sustainable footing in the longer term. Institutions might also want to consider how best to ensure increased collaboration within disciplines that falls short of pooling, but which eliminates unnecessary duplication in provision.

- *How best can we ensure research pools increase their focus on international collaboration and knowledge exchange?*

Promote a collaborative approach to training researchers

Postgraduate researchers underpin the excellence of the Scottish research base and build and sustain our research effort. Collaborating across universities to combine expertise and to share resources to support early career researchers – to include leadership and entrepreneurial training – brings with it economies of scale and, arguably, a better experience for students and consistency of training at postgraduate level across Scotland. It also ensures a critical mass of graduate training and research training provision that has the potential to compete with the largest UK universities. Greater adoption of initiatives such as *transkills*[19] and the University of Glasgow's researcher development[20] is becoming more widespread. Such an approach helps promote the agenda set out in the Roberts' Review[21]. The research pools provide a basis for extending good practice in this area.

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[19] http://www.transkills.ed.ac.uk/
[20] http://www.gla.ac.uk/researcherdevelopment/
[21] http://www.ra-review.ac.uk/.

- *How could existing good practise in researcher training be more widely adopted?*
- *How would postgraduate researchers benefit from shared training?*
- *Is it appropriate to develop single Scottish 'schools' where all postgraduate researchers in a particular discipline or group of disciplines are trained?*
- *Should training include, as an integral element, business awareness skills or work placements to encourage researchers to consider future collaborations with or careers in industry?*

Increase support for research where impact is greatest

Realising the benefits of research for the economy and society is critical. The Research Excellence Framework (REF) which is expected to replace the Research Assessment Exercise (RAE) in future is likely to include impact as a key element. Measurement of impact has proved to be challenging but seems to be achievable. The current proposal is that impact comprises 25% of the overall quality profile, although this may be modified, up or down.

Scotland already allocates funding in response to the RAE in a slightly different way to that in England. If the breakdown in the REF profile is made explicit, there is no practical reason why a greater weight could not be given to impact when distributing funding in Scotland. Weighting impact more highly than the rest of the UK may adversely affect some institutions, but be beneficial to others. However, it might have an adverse impact on our basic research. The possibility that this approach might duplicate formulaic funding for knowledge exchange activities would also need careful consideration.

- *Is it appropriate for Scotland to adopt a radically different approach in applying the REF to funding?*
- *Could the impact aspect of the REF be used as an alternative mechanism for distributing funding for knowledge transfer?*

Improve collaboration between Scottish businesses and university researchers

Businesses need a knowledge exchange system that is easy to navigate and provides them with the expert knowledge and research they need. A university research base which is joined up across Scotland and reflects users' needs is attractive to businesses and has the potential to stimulate even greater knowledge exchange. Such an approach also makes better use of universities' resources and exposes postgraduates to businesses to increase their awareness of their needs.

Interface[22] is a successful example of an intervention which has made it easier for businesses to access the university research they need. Interface connects businesses quickly and easily to world class expertise, knowledge and research facilities available in all Scotland's universities and research institutes. The challenge will be how best to build on this success in an uncertain future.

Stimulating engagement between researchers and academics through tax system incentives would allow Scotland to level the playing field with countries of a comparative size. In terms of the devolution settlement taxation is, in the main, a reserved matter. The relevant powers therefore rest with the UK Parliament and Government and we will continue to discuss these matters with the UK Government.

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[22] http://www.interface-online.org.uk/

Increasing collaborative and demand-driven knowledge exchange covers a range of possible activities that build on much good practice by focusing on the needs of customers for knowledge and expertise while also increasing the capacity of universities to generate income from businesses in the longer term. These activities might include:

Developing networks and linkages

- Developing networks across universities covering business sectors – such as food and drink – rather than academic disciplines. These might also include networks of Knowledge Transfer Partnerships.
- Engaging colleges in knowledge transfer activity linking high-level research to the development of technical skills that can support the commercialisation of such enterprise as it develops.

Making universities more attractive and accommodating places

- Sharing universities' intellectual property with Scottish businesses more widely and "bundling" of intellectual property across a number of universities.
- Co-locating company employees within university campuses to encourage interaction and a free-flow of ideas between researchers and businesses. This might include development of hubs or technology innovation centres, either through new developments or by making better use of spare capacity within universities (buildings, equipment, social facilities etc).
- Making universities even more accessible, informative and welcoming civic spaces at different times of the day to encourage greater interaction with businesses and members of the public.

Transforming the focus of universities

- Transforming selected universities into applied research institutes focused on supporting key sectors of the economy.

Incentivising collaboration

- Making the award of Scottish Enterprise's Innovation Grants conditional upon collaboration with a Scottish university
- Building on the Scottish Funding Council's Innovation Voucher Scheme to match-fund the initial costs for businesses of academic collaborations.

Responsibility for taking forward most of these proposals requires leadership from universities and engagement from industry. Identifying appropriate mechanisms for encouraging more collaborative and demand-driven knowledge exchange in a difficult financial context is challenging, but there may be cost savings and new funding streams generated in the longer term as a result of adopting such an approach.

- *How do Scottish SMEs unlock the potential within our universities research departments? How can universities support them in this?*
- *How do we make it more attractive for university researchers to engage with SMEs?*
- *What is the role of Scottish Enterprise and Highlands & Islands Enterprise in this?*
- *How do we engage the SME business base and overcome any cultural barriers? What specific approaches do they need/would they welcome?*

Maximise funding from Europe

European funding is one of the few areas where available funding for research and innovation is expected to increase over the next few years. We must maximise the opportunities for funding by influencing the shape of future EU research policies to ensure a strategic fit with Scottish research and business strengths and priorities. A stronger international dimension to research pooling and better relationships and collaborations with businesses would help to reinforce this.

- *How can we increase Scottish universities take of EU research funds?*
- *What more can the Scottish Government and the SFC do to help universities?*
- *Should past success in securing European funding be considered when distributing our own research funding?*

CHAPTER 4

INTERNATIONAL CONTRIBUTION

OBJECTIVES

Maintaining and developing the international reputation of our sector is essential in attracting international students, growing the numbers of research collaborations and attracting overseas companies to invest in Scotland. Our country's reputation for extending the warmest of welcomes allied to the cosmopolitan environment within our universities is a key part of the learning experience and something which has to be celebrated and promoted on the world stage.

SUMMARY OF IDEAS

- Promote Scottish universities overseas under a single Scottish banner
- Increase universities' income from overseas activities
- Encourage more Scottish students to study, and more academics to teach, abroad
- Promote the quality of the international student experience and graduate outcomes
- Develop Scottish University Alumni Networks for China, India and the North America
- Removing limits on international students studying medicine and dentistry

POTENTIAL IMPACT

Implementation of these ideas would increase the exposure of Scottish educational excellence overseas through the building of links in target markets and beyond. By growing commercial activity, attracting and retaining international students and staff we can maximise the economic impact from universities international activity at home and abroad. These ideas should increase the revenues available to our universities. In 2008-09, international sources made up around 11% of all of the sector's income (totalling £2.66bn), or approximately £300m.[23] This international investment has a wider economic impact of £2.44bn[24] to the Scottish economy.

INTRODUCTION

Our universities are an integral part of how others perceive Scotland. Their international reputation has been recognised for many years and the sector is renowned for providing good quality teaching at undergraduate and postgraduate level and world beating research. The quality of links between teaching and research are a key strength and a crucial factor in student recruitment with nearly 40,000 overseas students choosing to come to Scotland in 2008-09.

In addition to this, Universities Scotland estimates that 20% of university staff are from outwith the UK. Internationalisation is increasingly focussed on joint research programmes, joint degrees, transnational education and other international business opportunities; and is by no means restricted to student recruitment and attraction of overseas researchers and academics.

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[23] Based on HESA: Resources of Higher Education Institutions 2008/09 - www.hesa.ac.uk

[24] Based on figures from Universities Scotland.

It is through a broad programme of overseas activities that we must work in future, widening the appeal of Scottish higher education and ensuring that we are competitive in those key areas of interest to potential international partners. By doing this we can continue to exploit international opportunities to export higher education and expand the sector's reach across the globe. Whether it is about attracting international students; building international reputation, such as that established strongly in the European Higher Education Area; or utilising the excellence we have in Scotland, such as that offered by the various Research Pools, there will undoubtedly be a stronger focus on activities outwith Scotland in the coming years. But competition from overseas is growing and the now widespread delivery of programmes in English within non-English speaking countries and the implementation of stricter UK immigration controls present challenges.

Ideas

Promote Scottish universities overseas under one single Scottish banner

Competition from other countries provides a challenge that must be addressed by ensuring promotion of Scotland reaches the widest possible audience. The Scottish Government is developing a common Scottish banner and by taking a collaborative approach, we aim to increase the international profile of Scottish higher education without threatening the diversity in the international focus of our institutions. This would help to build further on existing relationships by introducing universities to a greater number of partners in a wider range of countries, promoting our universities as an integral part of the Scottish Government's international ambitions.

We believe that Scottish Government funding for collaborative student recruitment and university promotion should be linked to universities marketing themselves using a common Scottish brand. Levels of funding from any Government budget specifically targeted at universities' international activity could be linked to how well agreed national priorities are met, with Scottish Government marketing messages and Universities Scotland branding messages appearing in a common stock of communication material.

- *Do you consider that there would be value in promoting higher education under a single Scottish banner?*
- *How would this best be done?*

Increase universities' income from overseas activities

One way of doing this is through overseas expansion, either by establishing a physical presence overseas (Heriot-Watt in Dubai, for example) or delivering higher education remotely to students living overseas. Such expansion overseas could not only help to offset reductions in income at home, but could also increase the profile of Scottish higher education – potentially offering the opportunity to realise other benefits through joint course delivery with overseas institutions, student and staff exchanges and international student recruitment. These provide good opportunities to promote the strong reputation and high quality of Scottish education but commit universities to working really hard to ensure that this reputation is maintained. Working in other countries is often complex and in some cases subject to restrictions from national governments. Does this perhaps mean that several universities collaborating together will be more successful than one going it alone?

- *How do we best support the expansion of Scottish universities abroad?*
- *How can we best utilise the business support service offered by the SDI Education team?*
- *What do you see as the benefits of a Team Scotland approach to international activity?*

Encourage more Scottish students to study, and more academics to teach, abroad

Students who study overseas offer something different to our society and economy if and when they return to Scotland. The international links which our academics develop can ultimately benefit their institution and help to grow its income from overseas activities. The indirect benefits include promoting Scotland as an outward looking country, improving perceptions of Scotland around the globe.

A new approach could include a flagship initiative such as a "Year of Mobility" – recognising the importance of mobility in higher education and building on work already underway to promote it. It could also act as a catalyst to help institutions, staff and students to obtain a greater amount of funding from European programmes. More specifically, any Scottish Solution to student finance could include the flexibility to allow students to make their student support funding "portable" i.e. to receive the same level of support no matter whether they study within or outwith Scotland.

- *Do you agree that Scottish students and staff should be encouraged to pursue opportunities overseas?*
- *Can we do more to promote this? If so, how?*

Promote the quality of the international student experience and graduate outcomes

Universities have greatly increased recruitment over recent years bringing academic, cultural and economic benefits to Scotland. With China and India set to become net importers of students in the next decade and greater competition from courses taught in English elsewhere, there is no guarantee that this will continue to be the case. In order to remain internationally competitive, Scotland must be seen to be providing not only the best possible university experience but good employment prospects in Scotland, and elsewhere, after graduation. The careers advisory services within universities and university links with business should build on existing work, such as this year's sector wide Virtual Careers Fair for Greater China and South East Asia[25] as well as universities' own initiatives (Aberdeen University's International Students Careers Club[26], for example), to further promote international job opportunities.

One other issue raised by student groups is a desire for more transparency around the fees charged by institutions to international students and what these contribute towards. Student representatives feel more openness on these issues could help to clarify what these students can expect from their universities.

- *How can Scotland retain more international students after graduation?*
- *Can more be done to make the international fees more transparent?*

Develop Scottish University Alumni Networks for China, India and the North America

For those students who do return to their „home' countries, they can become ambassadors for Scotland and Scottish education overseas. We should exploit this powerful alumni network much more than we do at present. Research tells us that word of mouth is still one of the best ways of attracting students to come and study in Scotland. Universities have their own arrangements for managing their alumni, which can include newsletters, regional networks, in-country offices and working with international students to talk about their experience of living and studying in Scotland. However, efforts thus far to work with alumni on a more collaborative basis for Scotland's benefit have yet to get off the ground.

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[25] http://www.agcas.org.uk/events/538-Virtual-Careers-Fair-for-Greater-China-and-South-East-Asia

[26] http://www.abdn.ac.uk/iscc/

We believe that developing Scottish University Alumni Networks for China, India and North America could help increase our international profile and reinforce collaborative and individual university efforts to develop lasting partnerships abroad.

- *Should we set up Scottish University Alumni Networks for China, India and the North America?*
- *How should they operate and what might be the practical issues in such an approach?*
- *How do we create a wider army of international ambassadors for Scotland and Scottish education?*

Removing limits on international students studying medicine and dentistry

Unlike other subjects, we carefully control the number of international students studying medicine and dentistry. This is partly because the overall annual intake into medical and dental undergraduate programmes is itself controlled, in order to match anticipated workforce demand from NHS Scotland, but also because we need to manage central funding of the additional teaching costs incurred by NHS Scotland during students' clinical placements within individual Health Boards. Workforce planning for NHS Scotland suggests that we will need fewer doctors and dentists in Scotland in the coming years. We are therefore likely to reduce the number of funded Scottish places for medicine and dentistry at universities in due course.

To preserve the capacity in our Medical and Dental Schools, we could capitalise on Scotland's strong international reputation and increase the number of places for international students. Informal discussions have led us to conclude that universities could offer international students medical courses on an internationally competitive basis, covering not only university tuition but also the requisite additional teaching within the NHS. We believe that this is a step we should take, in consultation with the relevant universities, hospitals and local health boards.

- *Would you support this change? If so, how best might this be managed?*

CHAPTER 5

STUDENT SUPPORT

OBJECTIVES

Our main objective for student support is to create a system which is simple, equitable and fair. It should meet the increasingly varied needs of a diverse student body, but without creating excessive complication or erecting unnecessary barriers. We need to find the delicate balance between giving students an adequate income while they study and not over burdening them with debt when they graduate. We must make the money we have work harder for students, given that there will be little likelihood of this growing significantly in the short term.

Ideally, higher education student support should be part of a seamless system of learner support from the age of 16 where learners would have a clearer understanding of what they were entitled to at any stage of the learner journey. Responses to this section will contribute to a wider consideration of the support we offer all learners.

SUMMARY OF IDEAS

- A simpler system
- Minimum income guarantee
- Supporting lifelong learning
- Part-time
- Advanced entry to the four year honours degree
- Student loan interest rates
- Student loan thresholds
- Centrally subsidised travel for eligible students
- Disabled students
- Childcare
- Private financing of student support delivery

POTENTIAL IMPACT

The proposals set out here would have varying impacts. Some of these, such as those for disabled students, would see funding being redistributed within the system to develop more inclusive practices. Others, like a new product for supporting lifelong learning opportunities are about system reform and may cost money. Increasing the interest rate on loans would generate savings which could be used elsewhere or reinvested in student support, while increasing loan repayment thresholds would increase the costs of paying loans. Placing new incentives in the system could influence student behaviour and drive „student led' changes around the learner journey whilst exploring the possibility of bringing in private finance which might reduce the overall Government cost in the short, medium and long term.

INTRODUCTION

Our aim is to provide a student support system which helps those with the talent to succeed reach their full potential by removing the financial barriers which would otherwise prevent them from attending college or university. While there are a number of factors that surround access to learning, student support plays an important role in ensuring that access to higher education is based, as it should be, on academic merit and not on the individual's ability to pay. An adequate level of support is also essential to ensure that fewer students drop-out of the system due to financial pressures once they are attending their course.

An intricate set of rules are used to calculate how much support is provided to each student and these rules must take into account different types of students and their individual circumstances. Throughout the years, many changes have been made to the support arrangements and these have created a cumbersome and complicated system.

In these difficult economic times, we must make sure that the money we provide goes as far as possible and is targeted at improving income levels of the poorest students at a time when other sources of finance are more limited. However, recent increases in student numbers have put the student support budget under more pressure and this situation is now unsustainable. Using the current resources, we must work towards a simplified system which provides equity of access to our higher education system and assists students who are in most need of support.

IDEAS

A simpler system

In the current system there are a range of loans and bursaries available to students dependent on their situation. An element of parity has recently been brought to young and mature students on the availability of bursaries, but there are still a number of different pots of money which students can apply for and the criteria for these, for example around family income, are often different. This complexity in the system can be a barrier to some non-traditional learners, so we must consider what wider benefits a simpler system could have.

One option would be to simplify things by making a single loan and bursary offer. In such a system, the loan could be universal or it could be means-tested. A single bursary could be weighted depending on a range of circumstances which could include income, disability, parental support, number of siblings and so on. This would remove the need for separate assessments and awards for additional support on disability, travel etc. This should make processes easier for students to understand and easier for the Student Awards Agency for Scotland (SAAS) to administer. Such a system could also consider other distinctions such as whether different levels of support should be provided to students who live at or away from home.

Within such a system, we should also consider whether students could be offered more choice over whether they receive loans or bursary support. Bursaries broadly cost the taxpayer three times the cost of loans, so for every £1 of bursary we could offer around £3 worth of loans. If a student is more concerned about debt than income, could they just apply for a lower income which is non-repayable while other students in need of more income could have three times this amount under a loan – both at an equal cost to the Government.

- *Should we operate a simpler bursary system with one bursary pot weighted on a range of circumstances?*
- *Should students be given more choice on whether they receive loans on grants – or a mixture of both – to support them in their studies?*

Minimum income guarantee

The issue of a „£7,000 minimum income guarantee' was first raised by NUS Scotland. Their desire is to increase income for students so that they have more funds available to live on while in higher education. They have suggested that the minimum level should be £7,000, compared to the £5,852 that is currently available. While this is an aspiration which we support, we know from the work carried out in our consultation „*Supporting a Smarter Scotland*'[27] that this figure is not achievable within the resources available and our current approach of balancing bursaries and loans. The current financial environment also makes significant increases in resource unlikely in the short-term.

Our aim for now should be to create a simpler system which is easier to understand and administer. This would mean that should additional resource become available in future it will be easier to work towards that aspiration of a £7,000 income. At the moment student support is made up of loans and bursaries for those from less well off backgrounds. One way to increase the level of support for students within current resources would be to offer more loan-based support in place of non-repayable bursaries. This would cost the Scottish Government less and bring more students closer to a £7,000 income. However, the removal of bursaries could have a negative impact on widening access.

Another possibility within existing budgets would be to target more of the existing resource at the least well off. With a limited budget this would mean removing support for those from higher income backgrounds. This would see students from less well off backgrounds come closer to a £7,000 income limit, but would potentially leave those from middle and high income families worse off.

The final aspect of such a consideration should be whether additional income could be raised to increase current levels of support. For example, this could be linked to any graduate contribution, as the NUS have suggested, so that additional income from graduates went into increasing levels of support towards £7,000.

- *Should an income of £7,000 be our minimum aspiration for students?*
- *Should we offer more loans and fewer bursaries within the current system to achieve this?*
- *Should we consider ways of bringing more money into the student support pot?*
- *Would a graduate contribution hypothecated for providing funds for future student support, as suggested by NUS Scotland, be possible and appropriate?*
- *How would this 'square the circle' of university funding if the proceeds of a contribution were paid only to students?*

Supporting lifelong learning

There is clearly an economic benefit from re-training and re-skilling and we would like to make sure that the system is responsive to that. With that in mind, should we explore the possibility of offering a new form of financial support to those who want to engage in education for a second qualification or to update their skills? This could take the form of loans with a „real' rate of interest and with a limited subsidy from Government while the student is undertaking their education. If introduced, such a product could also give a boost to levels of student support for specific groups, such as part-time or postgraduate students. In considering wider funding options, this could be supported in some way by linking such a scheme to a graduate contribution. This will be discussed further in Chapter 6.

- *Should a new support product be considered to encourage more lifelong learning?*

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[27] http://www.scotland.gov.uk/Resource/Doc/82254/0075476.pdf

Part-time

The Scottish Government provides eligible part-time higher education students a £500 grant for their fees under ILA500. If we want to encourage more flexible provision and more choice for students are there ways we can incentivise more part-time study? Fees and living costs are probably the main issue for part-time students, but institutions can also have issues with the design and delivery of such courses. Across the sector there are clearly some institutions that make a strategic choice to deliver more part-time activity than others.

To support and encourage more part-time study are there new ideas we could consider such as providing fee loans for such study or could we pay fees for all part-time students with no previous experience as we do for full-time study? The costs of this may be prohibitive in the short-term, but should this be a long-term aim? We must also be clear that increasing flexibility in institutional funding mechanisms will be largely pointless unless this is mirrored in student funding.

Businesses could also be encouraged to do more to support part-time study for their staff either through incentives or through closer links with universities. One example from within the sector is a model where local SMEs are encouraged to re-train staff and student placements are offered to these firms to support any work pressures that may emerge as a result.

- *Should we provide more loans to cover part-time fees?*
- *How could businesses be incentivised to support part-time study?*
- *Should we encourage more part-time study?*

Advanced entry to the four year honours degree

In Chapter 2, we considered shortening the learner journey and ways in which institutional funding could be used as a lever for this. In a similar vein, we believe we should devise a series of incentives in the student support system to encourage students to complete the four year honours degree in three years, where this meets their needs as learners. Offering additional support over a three year period has obvious cost savings for both the student and the Scottish Government.

- *What incentives in the student support system would encourage more flexible provision?*

Student loan interest rates

One proposal in England is that graduates should pay a real rate of interest on their loans, once they have graduated, to reflect the costs of Government borrowing. In the current system, loans are subsidised by Government so that interest is only charged to reflect the cost of the loan in real-terms. This subsidy is significant at around 18p for every £1 borrowed.

By removing the subsidy on interest we could reduce the cost of borrowing significantly, which would free up resources to offer more higher levels of support to existing students – increasing progress towards the aspiration of a £7,000 minimum income. Going a stage further and charging graduates a more commercial rate of interest would cover even more of these costs freeing up even greater resource.

However, the impact of such changes would be that graduates would see their loan debt increase more quickly before they begin to repay and it would take them longer to repay their debt – although crucially it would not affect the amount they repay each month.

We would also have to consider whether increased interest rates would have a negative impact on widening access.

- *Should graduates have an increased interest rate on student loans?*
- *Should the interest rate vary depending on a graduate's income?*

Student loan thresholds

Student loans are currently repaid by graduates when their earnings reach £15,000. The UK Government has announced plans to increase the repayment threshold from £15,000 to £21,000 for new students. If we were to do the same, it would increase the cost of providing loans significantly, but it could also be seen to make the system more progressive as students would only repay when they were truly beginning to see the benefits of their education.

Due to the costs involved, it is unlikely that the Scottish Government could introduce this change in isolation. However, if it was considered as part of a new package of support and introduced with, for example, a change in student loan interest rates as described above, it could result in being cost neutral to the Government.

- *The choice on repayment levels is: do we make life easier for graduates on lower earnings by raising the threshold or should we choose instead to retain the existing threshold which would give us more money to spend on loans?*
- *Should we both increase the interest rates and the threshold for repayment on student loans?*

Centrally subsidised travel for eligible students

The difficult decision in the recent budget to offer travel costs as loans, not grants, was driven by financial pressures. However, as an alternative to students having to juggle travel and other living costs, and to ensure that we create as level a playing field as possible for all students, one idea could be to offer eligible students a bus pass (direct from the bus operator) for their route from home to college/university. This could be agreed through a fixed fee with the main quality bus operators in Scotland for them to provide the travel or we could pay the cost of term-time season tickets issued directly by the bus companies with a discount built in for buying in bulk. Both choices would reduce the costs to the Scottish Government and to the student. Clearly not everyone can travel by bus to their institution, though most can. There is currently a similar system in place at the Crichton in Dumfries that has been shown to work which could be the model for this.

- *Is this a viable alternative to students reclaiming travel expenses?*
- *Should any offer be a fixed two journeys per day or a use at anytime ticket?*

Disabled students

The Disabled Students Allowance (DSA) exists to provide extra financial help for students who have a disability, ongoing health condition, mental health condition or learning difficulty.

The number of students in receipt of DSA has increased in each academic year since 2002-2003. In 2008-2009, 4,065 students received DSA - this is 99.3% higher than in 2002-2003 and 12.1% higher than in 2007-2008. The amount paid out through DSA has increased by 71.9% since 2002-2003 to £8.816 million in 2008-2009. Some people suspect that there is an element of „double-funding' within DSA which has gone unchallenged, i.e. that the Scottish Government's general package of support is paying for materials and resources which are also the subject of separate claims under DSA.

This is not the fault of the student, but more a question of being clear with _all_ students about what their loans and grants for living expenses are expected to cover.

Arguably, in establishing need and the support required, the institutions themselves may be best placed to offer support for their own disabled students. This could provide more coherent and efficient support for those with disabilities at a local level.

- *We believe that guidance around what the general student support package 'buys' and what DSA covers should be issued. What are your views on this?*
- *Should we allocate support to institutions to manage on behalf of their student population rather than direct to individual students?*

Childcare

In 2008 NUS Scotland began their "Parent Trap" campaign. This called on the Scottish Government to provide additional support to student parents in higher and further education. The NUS's preferred option revolved around creating a centrally-administered entitlement fund which would guarantee financial support to all student parents irrespective of circumstances.

In considering such options we have to balance any additional resource requirements against competing pressures for funding. Any move should also consider the potential impacts on those who want to articulate between sectors where childcare arrangements may vary.

- *Should the current system – a mix of entitlement and means-tested grant – be replaced by guaranteed financial support?*

Private financing of student support delivery

It has been suggested that Scotland could operate its own student loan system by leveraging in investment from the private sector. One example could be a scheme run jointly by a bank and a pension/life assurance company where the pension/life company provides the funding and the bank operates the student loans scheme with a subsidy from Government.

Such a scheme could provide benefits in Scotland as it would remove our dependency on UK-wide systems which tend to be dictated by English policy, forcing us to respond every time the UK Government changes its policy. This would give the Scottish Parliament more control of policy on these matters. However, such a scheme would be likely to have significant costs attached which may outweigh any benefits.

- *Do you believe that Government should pursue such an option?*

CHAPTER 6

FUNDING

OBJECTIVES

This chapter has two main objectives. To consider how we might bring more funding into the sector – with a particular focus on generating income from 2012-13 onwards – and to consider whether we can allocate our existing funding for undergraduate higher education more effectively to achieve our aims.

SUMMARY OF IDEAS

Funding Options

- State retains the prime responsibility
- State retains the prime responsibility but requires some form of graduate contribution
- Increasing income from cross border flows of students
- Increasing donations and philanthropic giving
- Increasing support from business
- Increasing efficiency

Wider Issues

- Private financing of contributions
- Creating more equal treatment of other UK and EU students
- Learner-driven funding

Funding Model

- Increasing flexibility within our funding model
- Scottish Government acting as the largest purchaser

POTENTIAL IMPACT

A graduate contribution would bring in resource but the amount and timescales of this would depend on mechanism chosen. There is also scope to increase income to the sector from other UK students if we raise our fees to make sure Scottish universities do not become a cheap option.

The scope for generating significant income from business is limited but there are a number of ways businesses and universities could work together to their mutual benefit and the wider benefit of the economy. There is clearly scope for increasing income through philanthropic giving, if this is properly supported, and efficiencies will continue to have a key part to play in future funding arrangements.

Changes to the funding mechanism will not necessarily raise or save money, but they should make our investment more effective and stimulate more flexibility and support institution-led innovations in provision to better meet the demands of students, businesses and others.

INTRODUCTION

The Scottish Budget for 2011-12 presented to Parliament by the Cabinet Secretary for Finance & Sustainable Growth proposed a reduction of £67m in current funding for the university sector. This comes after a period of sustained and significant real-terms increases in funding since devolution. In 2000-01 around £581m was spent on HE recurrent funding, in 2010-11 this had increased comparatively to £1,034m an increase of 78% in cash terms or 37% in real terms[28].

Paring back that investment has been a difficult decision, in difficult times, and we understand the significance and the extent of the challenges such reductions place on our universities. Against this background, we have appreciated the constructive way in which universities have contributed to the debate on the future of the sector and the way we have been able to work closely together to protect opportunities for learning as far as we can.

Looking to the future funding of the sector there are important questions we have to address. In particular, what level of funding is required to support a successful and internationally competitive sector and maintain and develop the essential outcomes that support our economy and our wider society? What level of funding will allow us to remain competitive across the UK and internationally? Can we accommodate further reductions in funding or are we looking to ‚fill a gap' and bring in additional income to maintain funding at the levels of 2010-11? And how should this funding responsibility be balanced?

This Scottish Government believes that the prime responsibility should lie with the state. This does not necessarily rule out a graduate contribution of some shape or form, but such a move would have to be considered carefully. Finally, we should consider how we can exploit other sources of funding and how we might change our funding mechanisms to use existing resources more effectively.

This chapter is in three main sections. The first sets out the main levers that we have to increase funding or maximise savings in the sector. These are likely to form the basis of the funding element to the Scottish Solution. The second section considers some wider issues around these and the final part looks at how our funding model could be better organised to deliver this.

IDEAS - FUNDING OPTIONS

State retains the prime responsibility

This option would see the Scottish Government continue as the primary provider of funds to the sector for teaching Scottish students[29]. Maintaining 2010-11 levels of funding (in real or cash terms) would require the Scottish Government to take a conscious decision to prioritise investment in higher education as highly as it does investment in the NHS. The exact sum required to maintain 2010-11 levels is being looked at by the short life working group as is the comparison figure with England given the major changes being planned there. At the moment, the gap to the 2010-11 baseline is the £67m reduction announced in the Scottish Budget. However, the full extent of this will depend on a number of other factors including the precise detail of the English settlement and the impact of this on student behaviour.

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[28] These figures include changes to the institutional landscape and growth in student numbers.
[29] By implication, we would also remain as the primary funder of EU students – however this chapter discusses their position in more detail later on – and those from England, Wales and Northern Ireland (though these students do pay fees to Scottish universities).

The moves being made in England are based on the premise that the individual is the main beneficiary of higher education and should therefore shoulder most of the burden of paying for this. It could be argued that this premise fails to recognise both the risk involved for students and graduates in making the decision to invest in their education and the recognition of the wider benefits higher education and graduates provide for business and society more generally. We believe that the core principle of any funding system should be that the state is the main beneficiary and has the prime responsibility, but that the sustainability of support for the sector can be shared more fairly with individuals and other sectors, including business, sharing some of the burden.

Nonetheless, it is clear that at around 1%, Scotland already provides less funding as a proportion of its GDP for its universities than our sector's main competitors: England (1.3%); Sweden (1.4%); Canada (1.5%); India & China (2%, greater if you include R&D expenditure); the US (2.9%); and Australia (5.8%). Following the expected cuts in UK public funding, this proportion could drop even lower, precisely at a time when competitor nations are planning to invest more heavily in higher education. Indeed, a number of fiscal stimulus packages announced over the past two years, most notably those in the United States and Germany, direct more resources to higher education, research and science.

- *Do you agree that the prime responsibility to funding should lie with the state?*

State retains the prime responsibility but requires some form of graduate contribution

In this scenario the Government retains the prime responsibility, accepts that there is an income gap and allows additional income to be generated through an additional contribution from graduates. The main rationale for such an approach is that "a degree is of benefit both to the holder, through higher levels of social contribution and higher lifetime earnings, and to the nation, through higher economic growth rates and the improved health of society"[30]. This rationale has been at the core of recent moves in England which will pass much of the responsibility to fund the sector from the state to the individual through increased fees, supported in the main by income contingent student loans. However, such fees have been rejected twice by the Scottish Parliament this year[31] and the argument that individual benefit from education should require individual payback is difficult to reconcile with the nature and intent of Scottish public education at every level.

Graduate tax

One often debated form of contribution is the graduate tax. Under the devolution settlement, taxation is, in the main, a reserved matter. We do not, therefore, currently have the powers to implement a „pure' graduate tax. The Calman Commission[32] proposals will not provide the necessary powers either, though depending on the UK Government's intentions for implementing the proposals of the Commission, the Scottish Parliament could be allowed to introduce such a tax in the future if the Westminster Parliament agreed. A graduate tax would mean that high earning graduates pay more, in order that (so the argument goes) their contribution helps to pay for the costs of others.

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[30] Page 2 of the Independent Review of Higher Education Funding & Student Finance (The Browne Review, 12th October 2010): http://hereview.independent.gov.uk/hereview/

[31] http://www.scottish.parliament.uk/business/officialReports/meetingsParliament/2010.htm - debates on 3 June and 30 September 2010

[32] www.commissiononscottishdevolution.org.uk

There are not insignificant issues with a graduate tax, including: the length of time it would take for a solid income stream to emerge (the Browne Review estimated that in England this would not happen until 2041-42); the amount of income it would raise in the early years, unless (to overcome such issues) it was to be levied retrospectively; and how we would apply such a form of contribution to graduates who work outside the UK. As we intend to introduce the Scottish Solution in time for the start of the 2012/13 academic year, this effectively rules out a graduate tax now, but is this something that Scotland should look to develop in the longer-term?

Variable contribution based on earnings

An alternative option would be where there is no set contribution, but graduates agree to pay a variable amount which depends on their eventual earnings in employment. This would mean that once a graduate earns a certain amount, they would start to repay a proportion of their wages income over a set period of time. In such a system, there could be a maximum limit on what could be paid, to avoid the highest earners having to make disproportionately high contributions.

The NUS have supported this approach in principle, considering the current financial pressures, as long as it were progressive and tied to genuine financial benefit, but only if the funds raised were channelled into increasing levels of student support. They believe that payments would have to be based on earnings. The NUS would also not wish to see any link to the course of study or any ‚price tag' attached to course. A contribution structured in this way raises a number of fundamental questions: if we are agreed that there is an issue about ensuring our universities remain adequately funded on a comparative basis, how does a model which envisages additional income channelled *only* to students contribute to this?

Other forms of contribution

Some others have suggested a more direct form of graduate contribution such as a one-off payment at the end of your course which is either paid off in full on graduation, or added to your student loan debt. This could be a standard contribution for all or it could vary by course, level of study or institution.

Universities Scotland have called for a fair graduate contribution model, but have not specified how it should operate. Instead they have set out some key principles upon which such a scheme should be based. These include:

- higher education being free at the point of entry;
- contributions must not discourage participation and must enhance the student experience (including the experience for part-time and post-graduate students);
- graduates on higher incomes contributing more; and
- the benefit to institutions and institutions should be immediate.

Considerations

There are a number of ways that such a contribution might work, but any contribution should be fair for graduates, recognising the benefits they have gained from their education while neither placing an unfair burden on them nor creating any barriers to participation in higher education.

Research into earnings suggests that on average graduates earn about a third more than someone who left school with three Highers. Over the course of a working life, this difference could be in the region of £120,000[33] to £250,000[34]. Of course such higher earnings will be taxed proportionately, thus suggesting that there is already a form of "graduate tax" in existence.

- *Is the present system in which the state pays without any payback from graduates still viable at a time when the number of graduates has risen?*
- *If not, should some form of graduate contribution be considered for Scotland?*
- *Can such a scheme be designed in such a way that it bring in funds in time for the start of academic year 2012-13?*
- *If so, should this be a graduate tax (or similar scheme) or a one-off payment?*
- *What sort of level should a contribution seek to raise (whether a one-off or an average amount received through a tax).*
- *Who should pay this and should anyone be exempt?*
- *Should any contribution be tied to an institution or should it be for a general pot to be allocated centrally?*
- *Should it apply at different levels to different qualifications i.e. should you contribute more for a subsidised post-graduate contribution and less for HN level?*
- *Could a contribution be discounted in certain circumstances such as priority subject areas of entering certain key professions?*
- *Where should any eventual resource raised be targeted; institutional funding, student support or a combination of both?*
- *Is such a contribution more acceptable if it is clearly allocated for a certain purpose?*

Increasing income from cross border flows of students

The Westminster Government has recently voted to increase fee levels in England to £6,000 or to £9,000 for some universities in 'exceptional' circumstances, if they meet certain conditions on access. We need to consider in full what these increases could potentially mean for our universities and our students.

If Scotland's universities are seen as a cheaper option for students from elsewhere in the UK, but one which offers a high-quality education, then the likelihood is that they will attract more applications than they do at present with the potential risk of reducing opportunities for Scottish students. In 2008-09 there were 28,160 students from elsewhere in the UK studying in Scottish universities, 19,530 of them were on first degree courses, making up 14% of all first degree students in Scotland.[35]

This pressure on places is likely to be increased by students from elsewhere in the EU[36] who will look at the overall UK position and see, on the one hand, institutions charging up to £9,000 in England and, on the other, remaining free to them if they come to Scotland. In the last ten years, the number of EU students having their fees paid by the SAAS has almost tripled from 3,890 in 2000-01 to 11,020 in 2009-10[37].

When fees were raised to £3,000 in England a decision was taken in Scotland to rebalance the fee level so that the costs of studying in Scotland and England were broadly similar. The principle was that students should be choosing where to study based on academic concerns, not on costs.

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[33] www.publications.parliament.uk/pa/cm200304/cmhansrd/vo031208/text/31208w23.htm
[34] www.scotland.gov.uk/Topics/Economy/labour-market/commissioned-research/Effects-of-Qualifications
[35] www.scotland.gov.uk/Publications/2010/03/18144043/29
[36] This refers to students who are nationals of an EU member state other than the UK.
[37] www.scotland.gov.uk/Publications/2010/10/26114650/9

This move resulted in more finance being directed to institutions through SAAS rather than the SFC. We believe that part of the Scottish Solution should be a further rebalancing, with the sector being allowed to retain the additional income.

The final question is what level should the fee be set at? The current fee levels are £1,820, with a higher figure of £2,895 for medicine. These were set to assume broad parity with England on the basis that Scottish degrees tend to be a year longer and therefore require additional maintenance support. With some variability likely to emerge in England, this raises the question of what our fee should be.

Should we aim for parity with a £6,000 fee (the „no strings attached' level proposed in England), setting a fee of **around £4,500** a year for a 4 year degree in Scotland? Or given that two thirds of our incoming UK students go to ancient universities whose English competitors are likely to set their fees at the highest level, should we pitch our fee against the higher limit of £9,000, say **around £6,500**.

Of course this presumes that all we would do is increase the fee within the current set of arrangements. There could be alternatives, such as enabling institutions to set their own fees for students from the rest of the UK. There might also be a move to distribute the extra income more widely across the sector rather than simply allow it to be retained by the universities which traditionally attract greater numbers of these students. Finally, we would have to consider our current model of funding universities and the balance of that funding delivered by the SFC and SAAS.

- *Do you agree that we should rebalance the fee levels in Scotland to broadly maintain current levels of cross border flows within the UK?*
- *What level should the fee be set at?*
- *Should we maintain the higher level for medicine and should other subjects be protected in a similar way?*
- *Should the income be retained by individual universities, thereby benefitting those with high numbers of students from England, Wales and Northern Ireland to a greater degree or should it be collected and redistributed across the sector in another way?*

Increasing donations and philanthropic giving

While Scottish universities already benefit from donations, it is recognised that there is scope to grow this source of income by developing a more widespread culture of philanthropic giving. One option to achieve this may be a matched-funding scheme, along the lines of that operated by the Higher Education Funding Council for England (HEFCE). That scheme provides public funding to match donations on a ratio basis, depending on a university's track record in this. Universities with a strong record receive funding on a 1:1 basis. Those with less experience can receive up to £3 for every £1 donated. Such a scheme would require the SFC to set aside specific funds for this purpose.

Another option to achieve an increase in philanthropy could be for the sector to work together on fund-raising, sharing expertise and learning from the best international examples available. As institutions will broadly tend to target their own alumni for such donations there may be merit in developing a more collaborative approach, which could, for example, see the sector create a central fundraising resource which could bring in external expertise and ensure that all institutions have access to the best resources to support this. Consideration could also be given to developing mechanisms to make it easier to donate, whether this is a system of deductions from salary or planned giving from assets.

- *Should the SFC consider a match-funding initiative for donations?*
- *Could other approaches to fund raising be promoted?*

Increasing support from business

Business receives two main benefits from higher education: the provision of highly skilled graduates into the workplace and the exchange of knowledge from academia to business. There have been calls from a range of stakeholders including the NUS and University and College Union (UCU) to seek a greater contribution from business to higher education. Businesses would argue that they already contribute to higher education by paying tax (which in turn funds higher education, among other things[38]) and also by providing opportunities for graduates when they have gained their qualifications.

We have explored the possibility of using the tax raising powers we currently have to achieve such a contribution, but this is not possible in the current environment. Consideration has been given to a number of other options, including ensuring that grants of Regional Selective Assistance involve engagement with the higher education and research sectors, but there may be practical implications in such a proposal.

Therefore, we must explore different ways to increase the business contribution to higher education in a way the recognises the benefits to universities, businesses and the wider economy. Some ways of achieving this around research and development were explored in Chapter 3, but we would also like to explore wider links between business and universities.

One possibility for greater collaboration could be to promote increased support from business for students while they are at university. This could be achieved through scholarships or support for part-time study. More flexible forms of provision, as set out in Chapter 2, could encourage more businesses to consider such options as a way of attracting and retaining staff in the longer-term.

Wider engagement between business and universities could also be promoted by the development of a framework similar to the Innovation Alliance in Ireland which has been set up as a collaboration between higher education, government and business to provide innovation solutions to the economic crisis. This would see universities collaborating to deliver key strategic priorities. Is a similar common approach something to consider in Scotland?

A possible source of income for universities in future could be to provide employers, on a chargeable basis, with a graduate recruitment service. Employers often use private recruitment companies to fill vacancies. Through their careers services, Scottish universities currently advertise graduates vacancies at no cost to the employer. Should this change? Should universities expand their careers services to provide additional graduate recruitment services?

In this tough financial climate, the reality might be that businesses will find it hard to invest further in higher education unless there is a clear value proposition for them that will encourage engagement. This is not to say that there is no proposition at present, simply that it is either not well understood or properly incentivised.

The Scottish Government does not currently have the powers required to provide proper incentives through the tax system, so we must use the levers we have to support greater flexibility and more meaningful interaction between academia and employers to build on the good practice that already exists.

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[38] As noted earlier in this paper, in terms of the current devolution settlement taxation is, in the main, a reserved matter. Relevant powers therefore rest with the UK Parliament and Government.

Another specific issue which has been raised in discussions is the potential development of the role for our business schools and how they can link more with employers, supporting our key sectors by developing innovative and creative leaders and managers of the future.

- *If you believe that Scottish businesses should invest more in higher education, how do you envisage this happening?*
- *What incentives do we need to provide to employers?*
- *How do we encourage more meaningful interaction and stronger collaboration between universities/business schools and employers?*

Increasing efficiency

Scotland's universities have a strong record of securing the efficient use of resources and continue to work to this end. Universities made efficiency savings of £44m in 2009-10, and have planned further efficiency savings to achieve a cumulative target of £83m by 2010-11. Pressure on public finances suggests a continuing need to realise further efficiencies. Efficiency measures for the university sector must form part of any approach to keep our universities competitive.   How to meet the targets will however be a matter for universities, as autonomous institutions.

Ways of delivering efficiencies could include:
- Scrutinising the detail of business processes from admissions to staff recruitment in order to make savings.
- The adoption of the Pensions Plus and similar salary sacrifice schemes at universities that have not already implemented such measures.
- Programmes of improved space utilisation or relocation and the disposal of estate not fit for purpose.
- The further development of co-located campus facilities and shared facilities between universities and colleges and schools
- Investment in IT infrastructure, smart energy management and virtualisation or outsourcing approaches to deliver savings through lengthening replacement cycles, reducing energy consumption and securing more favourable contractual arrangements.

While we will continue to lobby the UK Government on changes to VAT rules on shared services, we believe the sector must not use this as an excuse but focus on making rapid progress on sharing services across institutions, especially those in the same geographic area. That discussion should also involve colleges. It is also essential that best practice continues to be shared effectively across the sector.

- *What more could the sector do to realise efficiencies?*
- *How best can we support the sharing of good practice across the sector?*
- *How can universities better utilise the skills, knowledge and expertise of their most valuable asset – their staff?*

WIDER ISSUES

Private financing of contributions

There is currently some interest in discovering how Scotland's financial services sector (perhaps in association with investments by public sector pensions) might help individuals to finance graduates contributions. Areas we would like to explore further include the creation of „Scottish Higher Education Bonds' possibly similar to a Child Trust Fund, which could allow families to save to cover the costs of any graduate contribution that may emerge in the future.

We might also explore the possibility of financial institutions providing the proceeds of a graduate contribution (as set out above) to universities many years in advance of them receiving the income. For example, under a graduate tax-type model, could a pension fund offer investment up-front for universities or students in anticipation of a longer-term income stream which would be generated by graduate contributions over a period of time? Such a model could also have the benefit of bringing funds into the sector quickly.

The economics of this model might prove prohibitive if we are dealing with private financial service companies, but it could be explored further before being ruled out.

- *Should we consider the possibility of a private finance model to supporting a graduate contribution?*

Creating more equal treatment of other UK and EU students[39]

Scotland is a net importer of students. For every Scot that leaves the country to study, more than two come into our universities and colleges from elsewhere in the UK or EU. In 2008-09, 20% of first degree students in Scotland were from elsewhere in the EU or the UK. While we clearly recognise the benefits to the sector of having a diverse and international student population, in these difficult times, can we continue to invest so much of our public resource in training students from outside Scotland?

In 2010-11 the SFC's main teaching grant was almost £670m. Assuming that 20% of their funded places are taken by non-Scots, this amounts to over £130m of SFC resource. In addition to this, in 2009-10 SAAS paid over £20m to support fees for EU domiciled students. While we would still wish to encourage people from across the EU to study in Scotland, is it right that Scotland is now a cheaper option (more often than not) than studying for a degree in their home country?

We also have an anomalous situation whereby EU students have their fees paid by the Scottish Government if they study in Scotland, but they must pay their own fees to study in other parts of the UK. Meanwhile UK students must bear the cost of their fees themselves if they attend Scottish universities. Is this fair?

- *Should we be looking to create a fairer system of support where other UK and EU students are treated more equally?*

Learner-driven funding

Previous sections in this chapter set out the possibility of changes to our fee levels and our funding mechanisms. Both issues raise the question of where resources to support teaching should be focussed. Currently the majority of funds are allocated to institutions through the SFC. This has the benefit of ensuring institutional stability and coherence of provision, but in other ways, as this paper has discussed, it could be criticised for inhibiting innovation.

If fee levels were to increase this could result in more funding following the learner. This, if introduced alongside other measures mentioned here, could significantly change the nature of our funding mechanisms and make student demand the key driver of our activity. This could stimulate more flexibility and innovation, but would this be at the risk of destabilising some institutions and could it create difficulties in providing courses where there is more intermittent demand?

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[39] In this section, for ease of drafting, the term UK students is used to describe non-Scottish domiciled students from elsewhere in the UK. EU students is used to describe those students who are nationals of an EU member state other than the UK.

- *Should any new funding mechanism look to put more funding behind the learner to make student demand the key driver of provision?*
- *If so, how do we continue to protect provision in areas of strategic importance.*

FUNDING MODEL

Increasing flexibility within our funding model

While increasing funding to the sector is a key concern, we also need to focus on whether our current funding mechanisms could be adapted to support and incentivise changes to the ways our institutions behave and interact. Assuming that we want to encourage more collaboration and greater diversity of mission between our universities, a number of suggestions have been put forward which would allow institutions more autonomy over what they provide. Other changes could work to reduce the amount of duplication that some feel exists across some areas of the sector.

Examples of how the funding methodology could change are set out below.

- **Sector-driven change in provision:** institutions could take responsibility for arranging the transfer of places between themselves in a bid to drive collaboration or specialisation within universities. This would mean institutions, with the agreement of their governing bodies, could swap places allowing them to increase provision in strong areas and move out of areas where others are stronger. There may have to be some moderation from the SFC in this to ensure that there was coherent national and regional provision of key subjects.

- **Credit-based funding:** could we move to a position where funding is allocated by the provision or completion of credits based on the SCQF. The SCQF is now well established in Scotland and could potentially be a sensible basis for allocating institutional funding or even student support based on modules taken or completed? Under such a system should SCQF levels be funded differently? Should this take account of the type of institution? What impact would this have on universities and colleges? How would we reflect the costs of different forms of provision, given that lab-based courses are more expensive than lecture-based classes?

- **Outcome based funding**: a system that allocates resources based on outputs rather than the intake of students. In theory, this could make teaching funding similar to research allocations where funding is allocated based on the quality of the outputs. Such a mechanism would encourage more work to reduce drop-out rates and it could also promote more flexible approaches to delivering the four year degree. Thought would have to be given to how such a scheme would avoid creating „incentives' for institutions to graduate students who fail to meet the required standards.

- **Specialist hubs**: given the small size of the sector in Scotland, some have considered how we can encourage greater collaboration between institutions. One idea presented was that institutions could become specialist in some priority areas and that other institutions would be required to link any research and teaching activity to that „hub' to receive any funding. This would not stop institutions engaging in whatever areas they wished, but it would ensure that the Government investment in key areas was driving collaboration across the sector.   Such a system would change the role of the SFC significantly and would also lead to a different role for the universities at the heart of such hubs.

All of these models are radical and take the funding of learning and teaching at university in a new direction and they should not be regarded as mutually exclusive. A new model, combining elements of some of these ideas, could be phased in over time. In the past, the funding mechanism for higher education has been criticised for being too conservative and not supporting innovation in the sector, instead focussing on ensuring institutional stability. These ideas seek to challenge that conservatism.

In making any changes to the funding mechanisms we have to be clear on what behaviour we wish to encourage, but also what the consequences of any change may be and to what extent we wish to continue to protect the stability of our institutions. Looking to moves in England as well, we should also consider how any changes may impact on what behaviour is, or can be, driven by the SFC and what is driven by student demand.

- *What changes, if any, would you like to see in the funding mechanisms?*
- *What behaviour should we focus on encouraging: collaboration; incentivising a shorter learner journey; recognising teaching excellence; any other priorities?*
- *What would be your preferred option for achieving this?*

Scottish Government acting as the largest purchaser

This is perhaps the most radical option. At the moment, the system for student funding operates in a fixed environment - the Scottish Government funds a specific number of places and provides student support for those places. We also allow universities to recruit above these „funded numbers' (within agreed parameter) but they do not receive any teaching grant from the SFC, only a tuition fee from SAAS.

Perhaps we should look at the matter differently in the future. Should we consider a system which has no such restrictions? In this scenario, the Scottish Government would still purchase a set number of places and provide student support for those places. The number of places would be determined by the resources made available for higher education by the Scottish Parliament. Only after this process has been completed would we allow universities to „sell' additional places to those who were willing to pay for them. It would be their responsibility to meet the costs of the learning and teaching as well as any student support.

This idea would essentially introduce an element of private provision into our public university sector, given that students buying these places would be expected to make a contribution towards the university's costs. This could give institutions more freedom on what they provide and what kind of students they attract. However, whilst such changes might create more opportunity for some, they might also limit options for others. This idea of opening up the sector to more private providers is explored further in the next chapter.

- *Would you be in favour of this idea being explored further?*
- *What are the risks and benefits of this approach?*
- *How would we preserve access in such a system?*

CHAPTER 7

SHAPE AND STRUCTURE

OBJECTIVES

In considering the shape and structure of the sector we should look at how well we currently deliver provision and whether we could do it better, or differently, in the future. To do this we must consider our institutional landscape and examine the structure and function of the bodies who support the sector, as well as the role of Government in overseeing this. Where change makes sense, we should embrace it.

SUMMARY OF IDEAS

- Sector-led institutional change
- Centrally planned change
- Number of Institutions
- Map of provision
- Role of colleges
- Student numbers
- New institutional models
- Ideas on improving information, advice and guidance
- Ideas on quality and standards
- Further de-regulation of higher education governance
- Recognising and supporting the role of the governing body
- The Tripartite Relationship

POTENTIAL IMPACT

In the short term (1-3 years) many of these ideas will cost money. In the medium-term there could be savings and efficiencies generated across the sector by greater rationalisation and collaboration. Other ideas are based around reform in the longer term although some savings could be generated by new institutional models including more private provision or by restructuring the SFC.

INTRODUCTION

Scottish universities already have a strong track record in working collaboratively to ensure that excellent provision is made efficiently. The benefits of such collaboration are clear in improving quality and maintaining provision. This will be even more important in future to help address some of the financial pressures we are facing. This may involve change in individual universities' portfolios of provision and new relationships between institutions. Universities, colleges, the SFC and Government need to work together to create an environment which facilitates change in a way which protects and promotes international excellence, coherence of provision and institutional diversity.

In considering such changes we need to maintain our focus on continuing to improve quality in everything we do. With our Quality Enhancement Framework, Scotland is a world-leader in taking quality away from a straightforward audit approach to promoting continual enhancement of quality through out our systems. This focus is correct and developing the best possible learner experience must continue to be at the core of what we do.

IDEAS

Sector-led institutional change

Reduced funding will drive institutions to consider more radical approaches to concentrating their resource on areas of academic excellence and financial sustainability. Such changes must be driven by institutions based on their own aims and visions, but it will be essential to ensure a national overview of provision so that decisions made locally by universities do not create wider problems for the nation as a whole, for example in supporting our key sectors. The arguments about the need for a sector-led approach have been clearly and helpfully set out by Universities Scotland.

One method of driving such change would be to use existing resources, possibly some of the existing Horizon Fund, to develop spend-to-save grants which could cover the up-front costs of new collaborative approaches.

Another could be the sector-driven re-allocation of funding. This could help to overcome the potential barriers to collaboration caused by the charging of VAT on shared services by allowing the SFC to alter institutional allocations to reflect changes in the way collaborative activity is delivered. We will continue to make representations to the UK Government on the VAT issue, but this should not be an excuse for not collaborating. We need to work together to find more creative ways to overcome such barriers.

In the previous chapter, we set out some options on how funding mechanisms may be used to stimulate more innovation and diversity across the sector. We should also consider how they support collaboration. To be clear, under such a system there would be no compulsion towards forced mergers or collaboration, rather we would provide incentives to support and encourage such moves if they were seen as desirable by institutions.

- *How do we encourage and incentivise sector-led institutional change?*

Centrally planned change

The alternative to sector change would be more central planning of provision by the SFC and/or the Government. This would be in contrast to the direction of travel across Europe where governments are looking to implement reforms in order to emulate the most successful international systems characterised by high levels of autonomy (principally the UK and USA), but could potentially be a feature of more radical funding models such as a purchasing arrangement where Government „buys' provision from institutions. There are clearly significant risks around such an approach as central planning is likely to destabilise some institutions forcing mergers or closures.

- *Is a more centrally planned approach to funding desirable?*

Number of institutions

One commonly asked question is whether we have too many universities or colleges. If this is considered to be the case, should Government and the SFC do more to encourage certain institutions to merge over time? Would this lead to a more efficient use of resources in some areas or would the significant costs involved outweigh the benefits? Could we even fund this if we wanted to? Should the structure of the sector be allowed to develop more organically (led by the institutions) instead?

- *Should Government and the SFC proactively look to reduce the number of institutions we have whilst of course protecting provision for existing students?*

Map of provision

Do we need to develop a map of institutions and provision at a national and local level? Would such a map be helpful in assisting institutions in exploring how they can move towards a multi-layered system of provision with a range of diverse institutions who are able to focus on areas of excellence whether that is research, access, technical skills or in particular subject areas and reduce unecessary duplication?

- *Do we need a map of provision and institutions?*
- *Who should be responsible for developing this?*
- *How should this be used?*

Role of colleges

In any discussion on structures we have to consider the entire range of higher education and the vital role played by our colleges in providing high level technical skills to a large portion of our population and in providing clear route to access higher education for students from less advantaged backgrounds.

In considering the reshaping of our landscape, colleges have to be involved so that relevant links are made between the sectors whether this is on articulation, knowledge transfer or on rationalising provision across a local area. If a question can be posed about the number of universities, it can surely also be posed about the number of colleges.

One development could be the concept of polytechnic colleges, which would have a predominantly higher education focus, becoming regional hubs for the provision of technician-related programmes at SCQF levels 7, 8 and 9. Such polytechnic colleges would undoubtedly wish to seek collaborations with universities. Another option could be the introduction of Associate or „College Degrees' as new SCQF level 8 qualifications which could be delivered across the sector. Such a development would open up questions about how such qualifications could be accredited and validated and whether colleges could in some circumstances take this role on themselves. Quality assurance is obviously important in any such debate.

- *Should we consider developing more polytechnic colleges?*
- *Is there scope in Scotland for introducing a new Associate or College Degree?*

Student numbers

An increase in student numbers places an enormous strain on the current student support budget. We currently cap the number of full-time student places in the system to keep control of our student support budgets, but maybe now is the time to consider whether this should change.

Should we look at alternative mechanisms to control the amount of public support provided, for example, some sort of „coupon scheme' where Government pays to support a certain number of students through their course. This could give the choice to some not to enter the publicly funded sector – as they can effectively do for school education and allow institutions (either existing or new) to offer private provision to those who wanted to pay. Such a move could possibly encourage more private providers to enter the Scottish system.

With reduced resource, another option could be to set as an objective the maintenance of the current level of funding per student at its present level. In such a situation, funding could be focussed on strategic priority areas based on our key sectors.

This would allow us to free up some student support, but would this be the right move for Scotland when evidence suggests that most new employment opportunities or growth will be based on having a highly-skilled graduate workforce?

- *Should we be considering the level of student numbers in light of the recent spending announcements?*

New institutional models

By considering new forms of institutional model, we could enable further innovation in delivery of provision and better meet the needs of learners and employees. This could smooth transition into advanced study and fill gaps in provision, particularly in terms of delivery outwith cities, not easily achieved in the current structure. To date, new models have emerged such as UHI Millennium Institute and the Crichton Campus in Dumfries, but there is potentially now scope for more innovation in the institutional landscape, possibly including tertiary institutions.

Introducing alternative models of funding provision as set out above could allow more students access to Scottish higher education, while allowing the universities to increase their income and reducing the pressure on the public purse.

Some universities might opt out of the current arrangements for managing student places, to give them the flexibility to offer more places to "home"[40] students. One such model could be based on the Scottish Government giving the university a grant for an agreed number of scholarships to meet the cost of tuition fees for Scottish and EU students[41]. The university would then be free to offer places to other "home" students over and above the agreed number, for a fee set by the institution.

- *Would you support the further development of such a model?*
- *What are the advantages and disadvantages of such a model?*

Ideas on improving information, advice and guidance

The Quality Enhancement Framework (QEF) in Scotland already places considerable emphasis on the provision of public information on higher education. Established in 2003, the QEF has been designed to support universities in Scotland to manage the quality of the learning experience and to provide public confidence in the quality and standards of higher education. It is co-ordinated by a HE Quality Working Group which has members from the SFC, Universities Scotland, the Quality Assurance Agency for Higher Education (QAA) Scotland, the Higher Education Academy and NUS. The QEF brings to the fore the idea that the purpose of quality systems in higher education is to improve student experiences and, consequently, their learning.

However, we need to continue to take account of new developments in this area and in particular proposals elsewhere in the UK to enable learners to choose the course which matches their ambitions beyond university. Better information, advice and guidance will also help in continuing to widen access to higher education and deliver graduates with the right skills to drive forward economic growth. There should also be some consideration around making the information on the current quality framework and institutional reviews conducted by QAA Scotland more accessible and relevant to the public.

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[40] The term "home students" here covers students from Scotland or elsewhere in the UK and students who are nationals of an EU member state other than the UK.

[41] Again, the term "EU students" is used here to describe students who are nationals of an EU member state other than the UK.

We believe that the following might form a menu of information which prospective students should have in advance of application/entry: contact level; course content; delivery methods; experience and level of staff delivering; student satisfaction; accommodation costs; any hidden/extra charges; and learner destinations and earnings after course completion. We would expect universities and colleges to set this out in their literature and online content. Whether this is practical or possible for every course or whether it is best done at an institutional level by providing a „minimum level of service' is something that would have to be explored.

- *Do you agree that further public information is important?*
- *What might be the best way to achieve this?*

Ideas on quality and standards

Our QEF has rightly received international interest and recognition. However, we need to ensure that we do not rest on our reputation and support our universities to continue to enhance the quality of provision at a time of increasing budget pressures and a changing landscape elsewhere in the UK. We need to consider what the areas of focus should be and in particular those that will continue to drive forward our specific quality enhancement approach. Given the ideas outlined earlier in this paper, especially those around more flexible and more diverse forms of provision, the QEF has to adapt to ensure that different methods of providing degree level study are able to offered with the confidence that quality will be ensured regardless of which route an individual chooses.

- *What areas should we be focusing resources on to ensure continued quality enhancement in Scotland?*
- *In what areas is there scope to adopt a more specific Scottish approach?*

Further de-regulation of higher education governance

Universities are constituted in a variety of ways. Changes to their governance arrangements often require Privy Council consent. In practice this means a positive recommendation from the First Minister, Lord Advocate and, in the case of certain universities, the Lord President of the Court of Session. While there has recently been some de-regulation of the areas of governance which require Privy Council consent, in other areas its consent is still required even where the amendment may be relatively minor. This is a time consuming and costly procedure. Removing or further limiting the requirement for Privy Council consent would give universities greater control of their own governance arrangements and significantly reduce the level of bureaucracy.

The Further and Higher Education (Scotland) Act 2005 already provides that the SFC must ensure suitable governance and management of all bodies that it funds. All universities in Scotland are also charities and are also subject to the control of the Office of the Scottish Charity Regulator (OSCR). Universities must inform OSCR of changes to their constitutions or, where they relate to their purposes, seek OSCR's consent to the changes.

- *Do you agree with our idea of removing or further limiting Privy Council control?*
- *If so, do we require any other mechanisms to preserve the public interest?*
- *Is this aspect of the public interest test still relevant today?*

Recognising and supporting the role of the governing body

Effective governing bodies are essential to the operation and performance of our universities who rightly operate as autonomous and independent institutions. However, there is a general recognition that governing bodies are working in an increasingly complex and demanding environment and there is a need to ensure that the right support is available to them to fulfil their role, particularly in their oversight and interaction with the institution's executive.

Concerns have been expressed from some quarters that the democratic nature of decision making in universities has been eroded by the development of such executives and that the influence of senior management has been too great. Questions have also been posed about the expertise and experience that Governing bodies have to hold executive teams to account. In addition, public and political criticism of the reward structure for Principals structure has been notable in the past year.

Suggestions have been put forward on how we could encourage a better informed and stronger challenge function within universities. One suggestion is that advice could be available on some issues from a central source, either coordinated by the SFC or through an independent body.

- *Should there be changes in existing mechanisms of university governance?*
- *Do we need new means to support court members and lay members of governing bodies?*
- *Can we find better ways of involving staff in university governance?*

The Tripartite Relationship

The tripartite relationship between universities, the Scottish Government and the SFC is established through a variety of formal (largely legislative) and informal mechanisms. The newest development was the creation in 2008 of the Tripartite Advisory Group (TAG[42]). Perhaps the greatest achievement of TAG has been to encourage all three parties to work much more closely together, forging agreement on the important issues at hand while creating room for constructive challenge when this has been needed. The trust and confidence which this has bred has benefitted both the sector and the Scottish Government, especially in the discussions which preceded the publication of the 2011-12 draft Budget. But perhaps TAG is not the right vehicle to develop or „optimise' this relationship in the future.

Through this document, one of the core themes has been around the role of the SFC and its funding allocation mechanisms in driving and influencing the kind of sector we want to see in the future. The SFC is a respected part of the landscape. It has helped to lead, shape and introduce many of the innovations in recent years - such as the development of the Horizon Fund. A common criticism of the SFC is that its allocation mechanisms are too conservative, protecting institutional stability rather than incentivising creativity or flexibility. Clearly it has a difficult role to play in balancing the needs of a wide range of institutions and making radical changes is difficult to achieve without having „winners and losers'. At this stage though we should also consider what its shape and role might be in the future. Your views are invited on the following options.

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[42] http://www.scotland.gov.uk/Topics/Education/UniversitiesColleges/16640/stakeholdergroups/TAG

- **Status Quo:** the SFC remains broadly the same as it is just now. It may become smaller as it seeks to make efficiencies in how it operates. This would entail some form of organic reorganisation to meet the challenges of the Scottish Solution.

- **Smaller and more strategic:** is there scope for the SFC to go further and become significantly smaller and more strategic in its operations, possibly with the development of a stronger focus on supporting good governance across the sector?

- **Merger with SAAS:** funding for universities is currently split between these two bodies. Now might be the appropriate time to bring the funding stream for learners and universities together, allowing for a more coherent overview of both. This would also sit well with the role the SFC undertakes on student support policy in further education.

- **Demerging the HE and FE Councils:** the previous HE and FE Councils were merged in 2005. Do we need to reconsider this? Would a more HE focussed Council (whether merged with SAAS or not) provide a better insight into the sector and actually be better placed to drive forward the changes which may form the Scottish Solution? Would we create a standalone FE Council or look to merge its functions with another public body? Would a demerger have a negative impact on work that takes place between the sectors, especially around access and articulation?

- **Abolishing the SFC:** An extreme option perhaps, and one not supported by either colleges or universities, but is a body between Government and the sectors still required? Would the system be more efficient if the institutions had a more direct relationship with Government? A strategic body does, however, ensure that undue political influence is kept at bay and protects Ministers as much as universities.

Within any new role for the sector, we should also consider the nature of the relationships between the SFC and the institutions. At the moment the SFC monitors and evaluates institutional performance through its Financial Memorandum but is this still relevant? Should we be considering other approaches, for example developing some form of concordat with institutions which focuses on key outcomes?

- *How do you think the tripartite relationship should be developed in the future?*
- *What are your views on the long-term role for the SFC?*

CHAPTER 8

CONCLUSION

This paper has covered a range of possibilities on how the sector can be shaped in the future. Presenting so many ideas may be an unusual step for a Government paper, but we are dealing with a diverse sector which requires a uniquely Scottish Solution. The desire of the Scottish Government to reach a solution which can be owned and shaped by the sector has been expressed on many occasions as has the need for such a solution to be sustainable.

In order to get to that point, everyone must be open to the consideration of ideas and new, radical approaches. We hope this will stimulate a rich vein of fresh thinking which we believe will help us achieved our shared objective of a new compact between Scottish universities and the state.

Responding to this Paper

Accordingly, we want to hear the views of as many people as possible in considering the future of the sector and as a result we will be circulating this paper as widely as we can. It will also be available on the Scottish Government website. There are a range of options available for those who wish their voice to be heard.

The Engage for Education website: www.engageforeducation.org will feature discussion of the key issues and will provide opportunities for people to contribute to the debate online.

We will hold a series of events across the country in January and February 2010 where there will be an opportunity to discuss the issues in more detail with other interested parties. More details of these events will be circulated to all who receive this paper and details will also be published on our website www.scotland.gov.uk. If you would like more information on them please e-mail scottishsolution@scotland.gsi.gov.uk.

Written Submissions

We are also happy for people to write to us with their views. This paper has deliberately been written to set out a range of issues, so we do not expect respondees to address all the issues in the paper. **It would be helpful if those submitting formal responses focussed on setting out what ideas they think should make up the Scottish Solution and how any potential solutions fit with the guiding principles set out in the introduction.**

Written responses should be submitted by **Friday 25th February 2011**, either by e-mail to scottishsolution@scotland.gsi.gov.uk, or by post to:

Building a Smarter Future
Scottish Government - Higher Education and Learner Support Division
5 Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU

All responses (postal or electronic) should include the respondee information form on the following page.

Building a Smarter Future

RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Title   **Mr** ☐   **Ms** ☐   **Mrs** ☐   **Miss** ☐   **Dr** ☐   *Please tick as appropriate*

Surname

Forename

2. Postal Address

Postcode	**Phone**	**Email**

3. Permissions - I am responding as…

Individual	/	**Group/Organisation**
☐	*Please tick as appropriate*	☐

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate ☐ Yes ☐ No

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the following boxes

Yes, make my response, name and address all available ☐

or

Yes, make my response available, but not my name and address ☐

or

Yes, make my response and name available, but not my address ☐

(c) The name and address of your organisation *will be* made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your *response* to be made available?

Please tick as appropriate ☐ Yes ☐ No

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate ☐ Yes ☐ No

The Scottish Government

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