
SFC's Review of Coherent Provision and Sustainability A Briefing Note

June 2020

1. Introduction

Scotland has a proud tradition of valuing education and influencing the world around us. People in Scotland are among the most highly educated in the world. So, we start this review from a position of strength in our world class universities, colleges and specialist institutions, a globally significant research base, and institutions that serve learners, business and local communities. This matters for our economic prosperity, social and cultural life, international reputation and attractiveness, and the sort of country we want to be.

The Scottish Funding Council (SFC) is the national, strategic body that funds further and higher education, and research, in Scotland. Our purpose is to invest £1.8BN wisely, to create and sustain a world-leading system of tertiary education, research and innovation that changes lives for the better, enriches society, and supports sustainable and inclusive economic growth. Our main statutory duties and powers come from the Further and Higher Education (Scotland) Act 2005. We have two core statutory functions: to secure the coherent provision by post-16 education bodies of high quality and fundable further and higher education; and to secure the undertaking of research.

We have been asked by Scottish Ministers to review how best we can fulfil our mission of securing coherent provision by post-16 education bodies, and the undertaking of research, in these changing times.

2. Objectives for this review

- a) To consider how best to achieve coherence and sustainability in the delivery of further and higher education during the Covid-19 crisis, EU exit transition, and beyond, while maintaining and enhancing quality.
- b) To ensure the sectors can address the outcomes we need to achieve in Scotland.
- c) To propose changes needed to SFC's funding, operations, and accountability frameworks in order to respond effectively to new challenges and opportunities.
- d) To provide advice, where appropriate, to Scottish Ministers on relevant changes to policy, funding and accountability frameworks for tertiary education and research in Scotland.

These objectives will be tested and unpacked through phase one of the review.

3. Who is this review for?

Further and higher education matters to a broad range of stakeholders and interests. We have four primary stakeholders in this review:

- a) **Students** – this review must protect their interests and ensure the tertiary sector gives them a high-quality learning experience, supports them to succeed in their studies and equips them, and creates pathways, to flourish in employment, further study and fulfilling lives. It must help them weather the Covid-19 emergency and thrive.

- b) **Colleges and universities** – this review aims to engage institutions to consider how to deal with this Covid-19 emergency in the short-term; and, for the longer-term, to ensure our autonomous institutions form part of a successful, world-leading, coherent and sustainable ecosystem of education that responds effectively to the future needs of learners and the skills needs of the economy and society, enhances our rich cultural life, and strengthens Scotland's international connections.
- c) **Government and the public interest** – this review must help government consider complex policy decisions, engage in a wide consideration of the public value of further and higher education, and support the economic recovery.
- d) **Employers and industry** – this review should provide confidence that their requirements are being understood and taken into account. Institutions will need access to credible information about the future needs of employers and the economy in order to plan and align provision, and support students. Employers will need students that are equipped with the skills, qualifications and attributes they need for the Covid-19 environment and beyond; and good engagement with colleges and universities to support economic recovery. And we will all want innovation, productivity improvements and sustainable economic growth from research made useful.

A fuller list of stakeholders and interfaces is set out in Annex A.

4. Challenges and opportunities

The further and higher education sectors were already facing significant developments before the Covid-19 emergency that bring both challenge and, in some cases, potential opportunity in the new Covid-19 reality:

- The “triple A” impact of age, automation and artificial intelligence, alongside changes in the Scottish economy and the skills needs of learners, business and industry that will affect the volume, type and structure of post-16 education provision.
- Leaving the European Union and the nature of the ensuing relationship.
- Global competition for talent and resources.
- Pre-Covid-19 financial sustainability issues for individual institutions.
- Tighter public funding settlements and targets that have not been reviewed for many years.
- The complexity of the UK research funding system, in which UK Government decisions impact significantly on Scottish institutions.

Covid-19 represents a significant external shock to the further and higher education sectors, to learners, business, researchers, funders, and government. It brings huge uncertainty. Universities, and some colleges, face substantial financial losses from international fees and other sources of income. All institutions will need to consider the impact for their current business models. Our review will deal with the immediate crisis, in order to influence pre-emptive decisions that may damage our longer term capabilities and ambitions; but, importantly, it aims to ensure there is sufficient time to consider complex issues properly, with time to adjust to, and discuss, the future so that we maintain key national assets and

capabilities, including significant international connections, and we make collective decisions that safeguard Scotland's economic recovery, research and innovation base, prospects of meeting net zero carbon ambitions, and pipelines of talent for our future workforce.

This is not about committing to the current arrangements or constructs – the sectors, institutions, funders, agencies and governments will need to adapt and adjust. The future will not look like the past. Covid-19 challenges the current funding arrangements, the reliance of universities on international fee income, and the heightened financial pressures in the college sector. It has caused a major pivot towards digital and online provision; and it challenges the nature of teaching and campus interactions. It will also reignite the debate about the connectedness of teaching and research in our universities; and the place of professional, technical and work-based education in our tertiary sector. The review gives us an opportunity to consider more broadly how we might respond to global change, reconsider the contract between institutions and public investment, the shape of provision, and re-establish what we need from tertiary education within Scotland.

This review is founded on the premise that we will get the best outcomes if colleges and universities, along with other stakeholders, work with us to shape that conversation, and bring forward and explore options, together with us, for the future. It is also based on the understanding that SFC and government will adapt and respond effectively.

5. Underpinning assumptions and constraints

Guiding principles

The goals of further and higher education are diverse and complex. Our review starts from a number of guiding principles, which we will test as we take forward this review.

- **Coherent provision** means we need to take a system-wide view of how further and higher education and research meet the needs of learners, and Scotland's social, cultural, environmental and economic needs now and into the future. This should respect and build from the diversity of our institutions and their distinctive missions, and strengthen collaboration and connectivity. Refining a common understanding of "coherent provision" will form an important part of this review.
- **A rapid response to the current Covid-19 emergency** means we must continue to rapidly focus our funding, operations, accountability frameworks and incentives at the unfolding health, employment, social and economic crisis; and enable us and funded bodies to provide an agile and significant role in Scotland's recovery.
- **Lifelong learning and learners' interests remain central.** Keeping in mind the interests of all learners throughout their lives, will guide our focus, so that tertiary education can equip them to flourish, to upskill and reskill, and to respond to changing opportunities and life circumstances.

- **Respect for the autonomy of universities and the governance of colleges.** Institutions matter. Some have been with us for centuries, with deep roots in our past and present. They will matter for future generations. That said, we will be considering the overarching framework that can further develop a connected, collaborative ecosystem for learning and teaching and research; reflects government and tertiary education objectives; and secures accountability for public funding. Institutions will be invited to help us develop that framework and consider their place and contribution in that public funding system.
- **Economic recovery and the skills system.** Colleges and universities will be central to the economic recovery, and skills and labour market interventions. We expect colleges and universities to have strong industry and business connections to provide flexible, responsive and applied learning and skills; to consider how best to equip students for employment, further study and fulfilling lives; and to balance basic research with applied research, innovation and knowledge made useful – to fight Covid-19 and to support Scotland's social and economic recovery. We will explore the sectors' contribution to different forms of work-based learning. The issue lies in the balance of all things and the role of individual institutions within these broad system objectives.
- **Anchor institutions and place.** Colleges and universities play an important role in bringing together people, activities, assets, skills, resources and investment for a greater sense of identity and purpose in particular locations and local communities. They are also key to developing local ecosystems that diffuse innovation, and maximise local impacts and productivity gains.
- **International reputation, networks and exports.** Universities are vital for Scotland's international reputation and attractiveness; they are huge export businesses; they attract talent and investment, and enhance our global networks. Some colleges also undertake significant and varied international activity across the world. In a much more competitive international market, we need to consider how we support our institutions to thrive internationally and what they can do together to keep a collective competitive edge.
- **Planning through uncertainty.** At a time of great uncertainty we need to balance the need for short-term robust intervention and rapid adjustment, with the need to build a system for the future that is adaptable and resilient to secure optimal outcomes for a wide range of interests in a shifting and complex environment. Therefore, this needs to be an iterative process. There will not be one simple answer. It is likely to need a sophisticated balance of interests, policy objectives and desired outcomes, within a framework that enables longer term planning and responsiveness.

Government policy assumptions

The Scottish Government has set out a number of policies for further and higher education that will be drivers in our review:

- Full-time Scottish students will continue to have free tuition at SFC-funded colleges and universities.
- Widening access and participation in further and higher education for people from disadvantaged backgrounds, and promoting equality and inclusion, remain core priorities.
- Greater systemic articulation between colleges and universities, and credit for prior learning, should be achieved.
- Fair Work remains an important principle for the bodies we fund.
- The financial sustainability of individual institutions matters, but other models and structures should be explored to ensure coherence of provision and sustainability within the system overall.
- Planning, partnerships and collaboration at a regional level matter, with an understanding that national-level and multi-agency institutional partnerships can deliver significant benefit for Scotland.
- There is an expectation that institutions will respond flexibly and with vigour to changing economic demands and local skills and employment needs.
- The Scottish Government has a National Performance Framework to guide desired outcomes for Scotland.
- The Scottish Government is committed to a green economic recovery, with the continued pursuit of a zero carbon future, and inclusive economic growth.
- The UK and Scottish Governments will continue to support the dual-support system for the funding of research.
- The UK and Scottish Governments want to see our institutions thrive and compete successfully internationally.
- The Scottish Government's letter of guidance to SFC, the Programme for Government and Spending Reviews set important context and will be looking for the right balance between flexibility and accountability for the significant investment of public funds.
- The Scottish Government is working on the assumption that the ONS classification of Scotland's colleges is likely to remain unchanged.

Ways of working

- The review will take an inclusive and collaborative approach with stakeholders, partner agencies, and governments, in ways that connect to other reviews, task forces, and working groups.
- It will be grounded in the decisions our Board and Scottish Ministers will need to take as the work progresses.
- It will be evidence-based and analytically sound, in order to provide robust advice to the SFC Board and Scottish Ministers.
- We will take account of national reports and international models that consider the future of the sectors, research and innovation.
- The frameworks and end products should be informed and influenced by the sectors and key stakeholders as far as possible – there will be extensive engagement across a range of interests. We want to work with colleges and universities to bring forward options and solutions together.

- It will be connected with: the Enterprise and Skills Board and our work with enterprise and skills partner agencies; economic recovery planning; UK-wide research reviews; and developments at UK and EU-level that affect Scottish interests.
- The review will support improvement, encourage innovation, and incentivise collaboration.

Constraints facing this review

- Everyone is still coping with the immediate impacts of the Covid-19 pandemic – we are still dealing with an emergency situation and the uncertainty surrounding the progress and impact of the Covid-19 pandemic.
- We are all stretched. So, we and our stakeholders face challenging deadlines, capacity and capability issues, and other priorities that will affect the course of this review.
- There is continued uncertainty about the UK's relationship with the European Union and what that might mean across a range of policy, trade, and education-related matters.
- While there is broad agreement about the need for this review, we recognise how complex the issues are and how difficult it may be to gain consensus.
- Change may need to be supported by incentives or transformation funding.
- A Scottish Parliament election in 2021 will need to be taken into account in our overall timetables and planning.

6. How we will conduct this review

The review process will work to have three deadline reporting phases (August 2020, December 2020, and May 2021) and two time-horizons (Academic Year 2020-21 and a four-year change horizon):

Phase One: June to end August 2020

- Organising the general process around the review
 - We will rapidly socialise and consider the focus, phasing and objectives of the review, and the underpinning principles and assumptions.
 - We will set up governance structures and engagement processes.
 - We will frame the strategic questions around purpose, outcomes, priorities, organising options and funding that we should test through the review.
- Short-term and immediate stabilisation, safe provision, economic recovery and accountability measures for 2020-21
 - We aim to identify further stabilisation measures that should be introduced at this time of national crisis to secure the short-term sustainability of provision for learners and the financial stability of institutions.
 - We will negotiate an interim accountability framework that sets out expectations of what institutions will deliver during this emergency for Academic Year (AY) 2020-21 and how that will be evaluated.

- We will evaluate and quickly develop SFC's financial sustainability assessment framework to ensure it is fit for purpose at this time of crisis.
- Start the process of considering the future aims and shape of the further and higher education system, and what needs to change. In doing this we will:
 - Review existing research on funding and accountability frameworks outside Scotland, to learn lessons and consider options for further development.
 - Synthesise the full range of options institutions should be considering for future sustainability, collaboration, and structures.
 - Evaluate SFC's current funding, allocation criteria and methodologies for strengths and weaknesses in terms of their success in supporting sustainability, reflecting government and SFC objectives, flexibility and adaptability to changing patterns of student demand and skills requirements; and ability to incentivise coherent provision.
 - Review SFC's approach to agreeing outcomes, measures, targets and impact assessment for fundable bodies to assess their effectiveness in terms of delivering national objectives, incentivising sustainable economic growth, ensuring the sustainability and quality of provision, differentiating between institutions, and driving performance; and consider options for further development. This, therefore, challenges us to consider public value overall and outcomes for students, business, institutions and the country.
 - Consider whether SFC's funding, objectives and accountability frameworks align and what might work better.
 - Consider the evaluation and quality assurance systems required not only to share good practice but to hold institutions to account into the longer term.
 - Building on previous reviews, consider the Covid-19 implications for research as well as our spend and impact on innovation and knowledge exchange, aligning that work to the imperative for fundable bodies to contribute to economic and social recovery.
 - Outline phase two of the review.

Phase Two: September to December 2020

- Moving towards more detailed development of options for change.
- Review sustainability assessments when Autumn student numbers are known and further stabilisation measures for institutions have been developed.
- Decide how the quality of provision for students will be evaluated.
- Develop detailed proposals for funding and Outcome Agreement reform.
- Consider the evaluation and quality assurance systems required to share good practice and hold institutions to account into the longer term.
- Develop options for SFC's support for innovation and knowledge exchange.
- Branding and promotion of further and higher education.

Phase Three: January to May 2021

- Develop more detailed delivery and implementation plans.
- Calibrate with the Scottish Parliament election.

Methods

We aim to use a number of methods during the course of this review:

- Undertake desk-based research that draws on other reviews and reports, and enables us to set our system alongside other UK and international jurisdiction approaches.
- Issue calls for evidence as required.
- Hold round-table discussions with stakeholders and experts.
- Use short-life advisory groups where helpful in shaping material for other forums.
- Issue discussion papers where helpful.
- Work with the RSE through their planned programme on tertiary education.
- Engage with broader national and citizens' forums, where appropriate.

7. Review governance

Ultimately, given the focus on SFC's mission, the review outputs will have particular relevance to decisions made by SFC's Board and Committees; its executive; Scottish Ministers; and SFC funded bodies. The review will be overseen by a Programme Board that will be chaired by the Chief Executive of SFC. It will consist of the senior officials within SFC, the Director of Advanced Learning and Science at the Scottish Government, and a small number of expert advisers. The Programme Board will ensure that stakeholders are fully engaged in the review, and that recommendations and decisions are appropriately directed within SFC, to Scottish Ministers and to funded bodies.

8. Timescale

By the end of August the review will update the SFC Board and the Scottish Government. A further update will be given at the end of December. We will aim for transparency in papers, engagement and reporting throughout the review.

9. Next steps

We will set up a dedicated page on our website and an email account for the review. We will engage on the review's focus and approach in the first instance and are likely to make an early call for evidence.

Key Stakeholders and Interfaces

Stakeholders

In long-form, these stakeholders matter for this review:

- Scottish Government Ministers, Government chaired leadership groups and policy officials
- Colleges and universities (and their representative bodies) and other funded bodies
- Scottish Parliament
- UK Government and other devolved administrations (particularly in relation to UK-wide research and innovation)
- Audit Scotland, Education Scotland and QAA
- Enterprise & Skills Strategic Board and agencies
- NUS, SPARQS, student bodies, learners, SAAS
- Employers and industry
- NHS
- RSE
- Trade Unions
- EHRC and equality interests
- Local Authorities and Scottish Cities Alliance
- Expert advisers (e.g. Chief Scientific Adviser)
- Development bodies (e.g. CDN, Advance HE)
- Community and adult learning

Interfaces

- Advisory Group on Economic Recovery
- Enterprise & Skills Sub-Group
- UK Research Sustainability Taskforce
- Ministerial Leadership Group
- Key portfolios within SG: ALS, Education, Skills, Economy, Health, Rural, Finance SG portfolios
- Student support and with SAAS
- Quality assurance bodies
- RSE's Tertiary Education Futures work
- UK funding, research, student and regulatory systems
- Wider UK policy, for example, on migration, tax credits, the relationship with the European Union