

# A Review of Coherent Provision and Sustainability in Further and Higher Education:

## Call for Evidence From Scottish Funding Council

Response from Highlands & Islands Enterprise



Highlands and Islands Enterprise  
Iomairt na Gàidhealtachd 's na Siar

## Introduction and Context

1. HIE has considered carefully the objectives of this important review and the initial set of consultation questions online. Given that the questions have been developed to be of most relevance to the Further and Higher Education (F/HE) sector we have chosen to provide a more direct response.
2. This response reinforces the need for strategic dialogue between HIE and SFC over the coming weeks, recognising the significance to the Highlands & Islands region and economy. We would welcome the opportunity for a direct conversation with the SFC before the end of August 2020.
3. For context, it is important to highlight the extent of current SFC/HIE engagement. Over and above the interaction at a senior level through the Enterprise and Skills Strategic Board (ESSB), staff in HIE work closely with SFC in relation to the following areas:
  - Strategic partnership and place-based policy – e.g. joint strategy to support Research and Innovation in the Highlands & Islands (2014); extending to consider broader remits of the agencies across teaching, skills, widening access and capital investment engaging also with (Scottish Enterprise (SE), SoSE, Skills Development Scotland (SDS), Scottish Environment Food Agriculture Research Institutes (SEFARI), Scottish Development International (SDI) and Universities Scotland (US)) following a joint HIE/ SFC paper to [SFC Research and Knowledge Exchange Committee \(RKEC\) in August 2018](#) which sought to explore further the aspects of rurality in relation to Scotland's F/HE Sector
  - Research, Innovation and Entrepreneurship – eg. Innovation Centres, University Innovation Fund, Research pooling, Interface, Converge Challenge, Scale Up, etc
  - University governance – specifically concerning UHI
  - Regional partnerships – planning for COHI, strategic dialogue discussions with UHI and SDS
  - Outcome Agreements – inputting to the process
  - HE provision – informing regional requirements and addressing barriers
  - Joint funding initiatives – over the years HIE and SFC have jointly funded a number of capital and revenue projects including Innovation Centres, Soillse Research pool, Energy Technology Partnership and campus infrastructure
4. The UHI is a major stakeholder in our region and HIE has a strong and effective partnership with the institute at both local Academic Partner level and regionally through the Executive Office. We cannot overstate enough the importance of having a regional university working in, of and for the region. It's approach to delivery using blended teaching methods, and its ambition to further grow its research capability and capacity in areas supportive of our economic and social imperatives, are very much aligned to the region, and we commend the efforts of the university partnership. Addressing the complexities and, in some places, inefficiencies of its governance model, would only improve its effectiveness as a whole.
5. In addition to the UHI, HIE works closely with other institutes that have a footprint in our region and also make a significant contribution to our economy. Specifically, Heriot Watt University based in Stromness, Orkney; SRUC located in Inverness (and with offices spread throughout the

region); University of Stirling, based in Machrihanish (and previously in Inverness); Glasgow School of Art, with its campus at Altyre in Moray; University of Aberdeen, with its Marine Biology station in Cromarty; Robert Gordon University, with its growing presence in Orkney; and of course the ubiquitous Open University which attracts a large number of students from across our region.

6. HIE has gathered statistical evidence over a number of years, often sourced through SFC, charting the numbers of students in F/HE and their location. This confirms that there is still a substantial number of young people that are either forced or choose to leave the region, particularly for HE. We estimate that circa 2500 young people leave the region every year to attend universities in Scotland's cities. We believe this to be the major demographic challenge that needs to be addressed. This information can be made available for the Review.
7. Over the last 15 years HIE has invested circa £83m in the F/HE sector in our region, primarily related to UHI, but not solely. We can provide further information to support this if required.
8. As we draft our response, we have just received the Scottish Government's response to the AGER report and the ESSB Sub-group Labour Market Action Plan. The details of these guiding documents, along with a range of other COVID 'Action Groups', will all have a bearing on the Review, and on HIE's priorities going forward. There remains, therefore, a need to keep an open dialogue to enable the finetuning or adaptation of our input.

### **Objectives of the Review:**

9. The Review is wide ranging and will impact on all aspects of the SFC's work. It lists a range of previous and current challenges affecting the sector, confirms the guiding principles and policy assumptions that sit behind it.
10. Its main objectives are noted below for reference:
  - 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.
  - To ensure the sectors can address the outcomes we need to achieve in Scotland.
  - To propose changes needed to SFC's funding, operations, and accountability frameworks in order to respond effectively to new challenges and opportunities.
  - To provide advice, where appropriate, to Scottish Ministers on relevant changes to policy, funding and accountability frameworks for tertiary education and research in Scotland.

### **HIE's Response:**

11. HIE welcomes this Review and appreciates the time and effort that will be required to fulfil its ambitions. The importance of the SFC's role and the delivery of Further and Higher Education in our region cannot be overstated. A strong partnership already exists between our two organisations; however, we believe there is more to be gained from enhancing this further, and this Review provides an excellent opportunity to channel this.

12. The SFC plays a very important role nationally in funding, guiding and protecting our valuable college and university institutes and their activities. We value the skills and experience that SFC staff bring to our everyday effort in the Highlands and Islands and always find them willing to help.
13. As will be seen from the topics highlighted at paragraph 15 below, we have looked at this Review as an opportunity to identify issues that are most relevant to our broad sphere of work. Our approach will be different to that of the F/HE sector but we hope that our perspective is helpful over the coming months.
14. However, some overarching comments are noted below:
  - **Economic Recovery** – as a partner of the ESSB, HIE’s focus will be prioritising activities linked to the recovery and jobs and will be looking to the tertiary sector to respond quickly – much more quickly than they are used to and in a pragmatic manner. We would like to suggest that this speedy responsiveness is kept central to your review and all effort is taken to encourage and incentivise our colleges and universities to be fleet of foot, and if necessary, to take away any of the barriers preventing this.
  - **Shared Services** – given the extremely tight financial position in Scotland, HIE would hope that the review will be looking at all opportunities for the sector to collaborate and share services.
  - **Outcome Agreements** – Outcome Agreements feature strongly in SFC’s engagement with the tertiary sector. HIE would like the review to consider whether or not the Outcome Agreement process is the best way to bring about the responsiveness referred to above. It is our view that they need to be reviewed in their current form.
  - **Curriculum Development** – There appears to be a blockage in both FE and HE whereby the institute’s ability to resource new curriculum development is restricted – either by finance or expertise. Is this something across the whole sector? It would appear to be crucial, given what we are asking of our colleges and universities, that they have the resource to do this.
  - **School Engagement** - HIE has not commented below on the interaction between the tertiary sectors and schools. We do however encourage and support this. Indeed, as the owners of the Science Skills Academy project we are directly delivering STEM modules to thousands of 10 – 14-year olds every year. The landscape for doing this, which includes SDS and Developing Young Workforce, is busy, and it will be important for providers to ensure good levels of collaboration. It is hoped the regional STEM Partnership can play a part in this.
  - **Growing Enterprise/entrepreneurship** – HIE directly delivers programmes to encourage business growth and entrepreneurship. This is going to be an important part of our recovery. Scotland views the Colleges and Universities as being a key provider in this and funds a range of Entrepreneurial projects. In HIE’s view, the tertiary sector does not play a big enough part in this (with some exceptions), despite having access to a captured audience of circa 500,000 students each year. The question might be, is our request of the tertiary sector to grow young entrepreneurs at odds with their primary activity? Or, should we expect more priority to be given to this activity?

15. We have identified nine distinct areas of importance to HIE, the region and Scotland which we would ask the SFC to take into consideration throughout the Review:

- A. Regional / Place-based Policy
- B. Demographics/Talent Attraction
- C. Innovation/R & D – Levelling Up
- D. COVID Response – Speed of response and pragmatic approach
- E. Joined-up Investment Decision Making
- F. BREXIT Implications
- G. Net Zero
- H. UHI - Financial Sustainability of key institutes
- I. International Competition

16. **Regional, Place-based Policy:** In general, HIE understands that the way in which SFC funds the colleges and universities is based upon a set of Scotland-wide policy framework and funding mechanisms, with the sectors being viewed as largely homogenous across the country. That said, we understand that the current Outcome Agreement process allows for localised variances and prioritisation, as does ongoing dialogue and negotiation on sector or institute-specific activities and requirements. We believe that the system can flex, up to a point, to respond to regional and local needs, but that the overarching framework of SFC's support is not sensitive enough to place-based economics and conditions. It is our view that the F/HE system needs to take better cognisance of place-based and rural requirements. This is not simply about the better co-ordination, cohesion or management of provision at a regional level, but rather about recognising the importance and differing economic and social conditions that exist at the micro level across Scotland's communities. **'Rural' needs to be more prominently recognised as a core aspect of the Wider Access agenda.** At the micro level this means equity of access for individuals in Scotland living on islands, in small communities and villages. At the macro level, this means looking at provision in the round to ensure that it not only meets current demand, but looks at potential demand, opening up opportunities that people in rural communities have come to accept are not currently available to them. We would therefore ask that through the Review, SFC consider **formalising a regionally based strategic development process that considers how national policies need to be challenged and adapted to fit more closely to our requirements.** We believe this is relevant not just for the Highlands & Islands, but across all of rural Scotland. For information, HIE is currently working with the James Hutton Institute and the Biomathematics and Statistics Scotland on a project - Towards Inclusive Growth (TWiG) - to understand the characteristics of inclusive growth within the Highlands and Islands. The aim of the TWiG project is to identify area typologies; areas that share a similar profile in terms of need and opportunity across a range of indicators. Subsequently, it is intended that the area characteristics will be used to deliver a decision support tool that provides indicative but credible quantification of variation in the 'value' of output as far as inclusivity is concerned for different investments in different locations. This may be of interest to SFC.

17. **Demographics/Talent Attraction:** The Highlands & Islands have, for decades, experienced serious demographic challenges. Whilst the population has grown since the 1960's the fundamental issue of loss of young people has not changed significantly enough to give

confidence that enough is being done. Most of this 'loss' is linked to young people continuing to leave the region to take up HE courses in urban Scotland. Despite the development of the UHI the number lost is still significant – estimated at approximately 2500 young people every year. The UHI has been an excellent development for the region over the last 20 years, but due to constraints and limitation of provision and capability, informed by a national policy for the dispersal of HE provision across 19 institutes, its ability to both stem this tide of leavers AND, importantly, attract in young people from outwith the region to study, has been limited. The changes that have taken place in the Highlands & Islands over even the last 20 years have been significant with new industries and sectors offering high quality jobs in – Renewables, Data Science, Marine, Digital Health, Space, to name a few. Also, the connection between communities at risk of depopulation and the provision of core societal, vocational or technical disciplines such as healthcare and teaching – jobs that each and every small place in Scotland require - has not been made, as we continue to see our young people move to cities across Scotland thereby providing these key roles in urban settings. **HIE would like to see a major review into the way in which certain types of HE provision is spread across our 19 institutes with a view to addressing a geographical imbalance of provision, which has evolved over the decades. Distinction should be made to prioritise two aspects of provision (1) those courses that address core workforce requirements across communities and (2) those courses that, due to our unique environment, culture and heritage, will attract incoming talent to the area.**

18. **Innovation/R & D – Levelling up:** HIE supports innovation across the region at all levels – business, sectors and communities. As a national call to action, Innovation is a crucial area of policy, and a priority across all the ESSB agencies. We recognise that a major part of the innovation system requires close engagement with universities and colleges, and strong levels of collaboration. Our joint investment of £3.75m in the national Innovation Centre Programme Phase 2 confirms our commitment to this activity, and to working with partners. Similarly, many of our investments in research capacity and capability in our regional university and others (Heriot Watt, Stirling, RGU, GSA, Aberdeen, SRUC) is a further confirmation of HIE's desire to work in partnership with our FE/HE providers. However, even with these sizeable investments over the last two decades, the Highlands & Islands face a fundamental deficit of R & D/innovation capability if we are to achieve our strategic ambitions and progress our regional transformational opportunities. The recent NESTA report <https://www.nesta.org.uk/report/the-missing-4-billion/> sums up our position well – *“The UK's geographical imbalances in economic performance are exacerbated by regional imbalances in R&D spending. This report sets out why this has happened and how to harness R&D to redress longstanding regional economic inequality.....The UK needs a change in direction for UK innovation policy. The UK's nations, cities and regions, need resources and capacity to build and develop their own innovation priorities. Institutions like UK Research and Innovation must take on new responsibilities for geographical rebalancing.”* Whilst this is from a UK perspective, and the report treats Scotland as one region, the evidence and conclusions contained in the report are valid for the H & I as a region within Scotland. *“.... But to increase R&D spending, we need to create the capacity to do research. This needs institutions where research will be carried out, well-equipped research facilities and a supply of skilled people, technicians, researchers and support staff. Currently this capacity is highly regionally concentrated. Without a conscious effort to create new R&D capacity in regions that currently have low R&D intensity, extra funding will simply be absorbed in existing institutions, perpetuating the current geographical imbalances in R&D spending”*. This captures the challenge that we have for our region, and as per our comments above regarding Place-based policy, **HIE would welcome an in-depth review of our regional R & D assets (colleges and universities) in the context of Scotland-wide investments to consider what additional support is needed to address capacity and capability to support levelling up.**



19. **COVID Response – Speed of response and pragmatic approach:** Along with our partner agencies, HIE is fully involved in COVID response planning. HIE is reprioritising its work to enable this response and to provide a strong focus on future proofing the region. This latter calls for a shift in our economy and workforce to accelerate the growth of green and blue industrial sectors – summarised as the Green Recovery. To that end, the region will require its colleges and universities to be fleet of foot in responding to new skills and technologies, and flexible in how these can be delivered and funded, especially at the FE level. SFC have already responded to this and allowed the sector to repurpose and / or redirect funding. This is a good start. **HIE would like to see the Review continue to challenge the sector to be as responsive as possible to regional needs, and to ensure that sustainable funding mechanisms have this flexibility built in and that colleges and universities are constantly monitored (and rewarded) for their ability to adapt to new provision according to need.** In the H & I, an important aspect of this is scale. Justifying new curriculum is often linked to known demand and can prove difficult for small numbers in smaller communities, and where future forecasting is difficult. In the interests of place-based policy making, **HIE would like to see a stronger recognition of scale and acknowledgement of smaller cohort numbers, and the ensuing additional cost factors associated with provision in rural areas considered in its Review.** We would expect provision of Apprenticeships to be brought into this matter, although we recognise that SDS are the primary owner of the frameworks. How Apprenticeships are managed and delivered through colleges and universities in a rural setting is a key area of work to be investigated, especially where some colleges require additional help to secure contracts to deliver this type of provision.
20. **Joined up Investment decisions:** HIE has made a number of investments alongside the SFC, in a planned manner eg. UHI Strategic Research capacity building; Innovation Centres; Interface. However, increasingly our organisations’ capital investment plans have been developed in isolation. Whilst we each have different roles to fulfil, there is merit in comparing plans at certain points in the year for information and identification of potential joint projects which could deliver more for Scotland. **HIE would like the Review to consider those investments carried out by the ESSB partners over the last ten years, to identify benefits of joint working and to inform a more collaborative approach for the future, where potential benefits are indicated, and strategic alignment allows.**
21. **BREXIT Implications:** Brexit will hit the UHI harder than COVID19 and as a result Covid19 response needs to be viewed as Brexit preparation. Nationally the key focus for Universities has been on transferring to online/blended teaching, and financial sustainability as a result of the reduced numbers of international students. UHI is less impacted by the latter due to its limited (circa 3%) number of international students, and its key strengths in digital/remote delivery. The Highlands & Islands will also suffer greatly from the loss of EU funding, much of which has been put to good use supporting the development and growth of the UHI. In particular, ERASMUS students have been important to the region in fields of marine science, aquaculture and forestry. These students contribute to the wider student experience in the university. **The SFC Review needs to be particularly cognisant of the serious BREXIT implications on the Highlands & Islands as it considers the evidence it gathers over the course of the coming months, with particular reference to EU/international students and research.**
22. **Net Zero:** Alongside the health and economic crisis we are also facing a global environmental crisis, and the role of Scotland’s Universities and Colleges in this transition is paramount. Long term funding, greater alignment and support is required focussing on a place based and challenge led approach that goes beyond technological solutions to include new models and societal approaches that are critical in terms of our ability to transition. The Highlands & Islands of Scotland is well placed to contribute to this with our expertise and natural resources in renewable energies, marine science, forestry to name but a few. **HIE welcomes the opportunity to consider**

**with SFC a regional and collaborative approach to Net Zero and Sustainable Development working with the wider sector and other partners, locally, nationally and internationally.**

23. **UHI – Financial Sustainability of key Institutes:**

The UHI comprises 14 individual academic partners, of different sizes, blends of activity and underpinned by differing governance arrangements. Some of the partners have a stronger financial foundation than others, and some are hybrid in nature relying on a cocktail of funding in a different way to the core college/university sector. This is particularly the case with key research and specialist institutions such as SAMS, Sabal Mor Ostaig and the North Atlantic Fisheries College (soon to be part of the new Shetland Institute). They are relatively unique within Scotland and extremely important to our regional economy, and as such **HIE believes that these institutes require special attention in the Review in relation to addressing their long-term sustainability.**

24. **International Competition:** The UHI operates internationally in key areas of discipline, establishing partnerships with, for example, the University of the Arctic and with certain Chinese institutes for engineering and health research and teaching. HIE similarly has a global outlook and supports our businesses with exporting activities in line with the Scottish Government 'Scotland - A Trading Nation' plan. The other HEIs located in our region are also suitably outwardly focused, as are the people and communities across the geography. Through EU and Northern Periphery funding, HIE has supported and encouraged this global perspective. Indeed, it is key for our regional economic growth. Through Universities Scotland the sector has been quick to articulate a national policy on internationalisation. Whilst this is presented as collaborative, there is also a high degree of competition across institutes. **HIE endorses the need for the F/HE sector to be engaged internationally but would like the Review to consider the collaborative nature of this across the institutions to ensure competition for international students and research income is not a barrier to the real tangible benefits for Scotland.**

**Next Steps:**

25. As indicated in the introduction, HIE views this submission as a starting point to its contribution to the SFC Review, highlighting headline items for further discussion. It welcomes the opportunity to input in this way and to inform priority areas for SFC to investigate further. Additional evidence can be provided as required.
26. It is possible that a number of the topics referred to above are also relevant to our colleagues in South of Scotland Enterprise, and consequently there may be some value in bringing our three agencies together as part of the Focus group work that you intend to carry out.
27. We look forward to the opportunity to further discuss these points, and to elaborate where required.