



### **SFC/HIE Research Strategy**

- The Committee is invited to note the update, consider and endorse the proposed actions made jointly by Highlands and Islands Enterprise (HIE) and the Scottish Funding Council (SFC) Executives.

### **Recommendations**

- Note the extensive collaboration which already exists between HIE and SFC in Research and Knowledge Exchange (R&KE).
- Note the opportunity to collaborate and align further under a renewed Joint Strategic Framework (JSF) which will capture wider actions beyond R&KE.
- Note the context of Enterprise and Skills Strategic Board and the intent to align with the outline strategy and develop collaborations, where possible, with other agencies including Scottish Enterprise (SE), Skills Development Scotland (SDS) and South of Scotland Enterprise Agency (SoSEA).
- Note the emerging international opportunities in Highlands and Islands through the marine economy and the Arctic Circle.
- Endorse the proposed actions outlined in the paper to enable the JSF to be taken to the next stage.

### **Financial implications**

- There are no immediate financial implications for the SFC arising from this paper.

## **HIE/SFC Research Strategy - Supporting Opportunities for Inclusive Sustainable Economic Development through the Scottish Further and Higher Education Sector**

### **Purpose**

1. To update the Committee on the development of a JSF with a request for guidance and endorsement of proposed activities focussing on greater alignment and collaboration between HIE and SFC, extending also to other agencies including SoSEA. The paper seeks to maximise and create greater opportunities at local, regional, national and international level supporting inclusive and sustainable economic growth by working with the Scottish Further and Higher Education (FE/HE) sector with a focus on rurality for the Highlands and Islands (H&I) and wider Scotland.

### **Background**

2. At the February 2017 meeting of RKEC, SFC and HIE JSF (historically referred to as 'HIE's Research Strategy')<sup>1</sup> was discussed. The paper was noted by the Committee accepting the recommendation to 'review and revise the agencies existing relationship and engagement activities'.
3. The paper identified three areas of challenge and opportunity:
  - Broadening the scope beyond research and innovation to consider wider strategic commitment/ priorities of the two agencies (i.e. teaching, skills, widening access, capital investment).
  - Maximising the opportunities of international relevance that exist within the region that can support the sector maintain and improve world class, high impact research and innovation.
  - Strengthening further engagement between the two agencies to maximise investment and enabling activities demonstrating fully the contributions to regional and national priorities.
4. The original strategy was agreed between HIE and SFC Boards in 2013, responding to SFC's Strategic Objective of 'university/industry collaboration and the exploitation of research' and HIE's priority of supporting economic development in the Highlands and Islands through Scottish universities. An Audit Scotland report in 2016 highlighted the need for a '*coordinated approach by all stakeholders.*'<sup>2</sup>

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<sup>1</sup> HIE Research Strategy; RKEC/17/05 Agenda Item 7; February 2017

<sup>2</sup> Audit of higher education in Scottish universities; Audit Scotland; July 2016 <http://www.audit-scotland.gov.uk/report/audit-of-higher-education-in-scottish-universities>

5. Building on this, the Outline Strategic Plan<sup>3</sup> (published in June 2018 by the Enterprise and Skills Strategic Board) set out the vision to rank in the first quartile of OECD countries for productivity, equality, wellbeing and sustainability. It focuses on the creation of a 5-year strategy with a medium to long term vision setting out support for agencies<sup>4</sup> to drive momentum in adopting new practices to leadership, culture and values so they can work more effectively together.
6. There are many challenges facing the H&Is, including but not limited to talent attraction and retention<sup>5</sup>, business investment in R&D, population and demographic changes<sup>6</sup> and costs of living. These challenges are often interlinked and require a better whole system understanding.
7. By expanding the JSF into other areas we can begin to capture this whole system approach and implement policy actions to get an understanding underpinned by evidence. Indeed, these challenges do not exist in H&I region only and reflect a Scotland wide rural trend. The actions proposed could provide a basis for sharing of best practice in policy across Scotland.
8. Recognising the whole system approach, it is critical to understand the role of universities and colleges and their inherent value. Rurality provides specific challenges for communities and businesses but also for colleges and universities and with it their ability to respond to, and support the need for, sustainable economic growth. With the increasing levels of uncertainty around the outcome of Brexit and the creation of a SoSEA there is an even greater need to ensure alignment.
9. There are many innovative opportunities emerging for the H&Is focussed on the unique attributes of place. The significance of the 'placed based approach' has gained prominence in the last 18 months. At a UK level, funding schemes aligned to the Industrial Strategy such as the Strength in Places Fund and the Arts and Humanities Research Council (AHRC) Creative Clusters have used place as a key focus for action. At a Scottish level, the Enterprise and Skills Review has led to the creation of a SoSEA.

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<sup>3</sup> <https://beta.gov.scot/groups/enterprise-and-skills-strategic-board/>

<sup>4</sup> Namely SFC, HIE, Skills Development Scotland and Scottish Enterprise

<sup>5</sup> <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/young-people-and-the-highlands-and-islands--attitudes-and-aspirations-research.html>

<sup>6</sup> Na h-Eileanan Siar is projected to decline in population by 13.7%, between 2014-2039, the largest of any Scottish council area. All H&I Council Areas project lower increases than Scotland as a whole reinforcing the significance of migration for rural communities <https://www.gov.scot/Publications/2018/02/5490/3>

## Summary of Key Issues and Options

10. As requested by RKEC, this paper considers areas outwith the original scope of the JSF. In doing so, we have initiated early interactions with other directorates within SFC. The final JSF will require a greater input from these directorates and approval by their respective committees. Much of this sits outwith RKEC's direct remit and consideration should be given to coherence across committees in SFC. A future JSF will also require greater consideration of rurality in a national context and the role of Scottish FE/HE sector.

### **Point 1: Broadening the scope beyond research and innovation to consider wider strategic commitment/ priorities of the two agencies (i.e. teaching, skills, widening access and capital investment)**

## Research and Knowledge Exchange

11. SFC and HIE's existing linkages in joint-working through targeted interventions are strong and including examples such as: Innovation Centres, Interface, Knowledge Exchange Placement Programme, Scot Grad Placements, HydroNation Scholarships, Making the Most of Masters. These are active in supporting rural areas in the H&Is and seek the desired outcomes of accelerated economic growth. However, there are specific challenges that relate to rural areas across Scotland that need to be considered more fully and from a national context.
12. The Science Innovation Audit (SIA), led by HIE, identified significant opportunities for the region in aquaculture, wave and tidal energy and marine biotechnology. There is a clear steer in terms of new opportunities for innovation and emerging industries that can deliver on the ambition of economic growth and sustainable development at Scottish and UK level.<sup>7</sup> With a continued lack of investment by businesses in R&D within rural areas, the realisation of the impact of the opportunities highlighted in the SIA will require a step-change and we should consider where there are opportunities to enable this.
13. At a national level BERD statistics in a local authority context highlight the challenges faced.<sup>8</sup> The challenge here is Scotland wide and reflects a broader rural trend of low BERD. BERD is a single measure for the health of regions'

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<sup>7</sup> The SIA identifies the research specialisation of the marine economy in the region as highly concentrated with 93% of all the research grants being led by organisations from the Highlands and Islands focused on one of the three sectors. - MAXiMAR: Maximising the Marine Economy in the Highlands and Islands: A science and innovation audit report sponsored by the Department for Business, Energy and Industrial Strategy; June 2018.

<sup>8</sup> 2016 BERD statistics show that 6 local authority areas account for 75.2% of Scotland's total BERD yet only account for 37% of the population.

companies and it is also important to highlight the desire for inclusive, sustainable economic growth. This is a key pillar of HIE and indeed an increasing policy driver through Scottish Government (SG) and Strategic Board. SG defines this as ‘growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly’

14. In response to the focus on greater alignment through the Enterprise and Skills Review (ESR) and wider ambitions initial discussions between SFC and HIE Executives have sought to understand if there are other strategic actions that could be developed that support the development of research and knowledge exchange activities in rural areas.
15. Such actions would seek to complement existing interventions and embed inclusivity in its approach. These discussions have also sought to understand how future activity can align to the wider funding landscape for innovation including the City and Island deals, Industrial Strategy, Strength in Places Fund and European Regional Development Fund (ERDF).
16. To enable appropriate policy responses the development of a whole system approach to rurality needs to be better articulated, capturing existing<sup>9</sup> and seeking further evidence around the opportunities and challenges of rural Scotland to help inform, direct and support the Scottish FE/HE Sector effectively contribute to sustainable economic growth across the whole of Scotland

### ***Proposed action***

- Exploration into the outcomes from the SIA Maximising the Marine Economy in the Highlands and Islands and opportunities for support
- Investigation into and the development of a report that explores the creation of new approaches/ actions, which could in the future require funding, in response to the opportunities and challenges associated with rural Scotland and greater involvement of the Scottish FE/HE sector.

### **Skills**

17. The ESR and subsequent Strategy has resulted in stronger alignment between the agencies through which HIE and SFC are represented, placing the needs of learners, employers and the economy as central to skills planning and commissioning. The alignment of HIE and SFC with Skills Development Scotland (SDS) is key to achieving a seamless approach to developing and implementing skills provision planning.

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<sup>9</sup> <https://consult.gov.scot/agriculture-and-rural-communities/a-rural-conversation/>

18. New developments in the H&Is<sup>10</sup> highlight the immediate need to consider opportunities in workforce development, talent attraction and the mechanisms through which this can occur. This is even more pertinent when considering the statistics for the region in relation to future population levels.<sup>11</sup>
19. The University of the Highlands and Islands (UHI) is a vital learning provider to meeting the needs of future learners and employers within the H&Is. Linking HIE and UHI to maximise HIE's deep knowledge of how the system and the region works along with greater use of the regional evidence base is key. The outcome agreement process is highlighted as a key area of focus and could present a route for greater engagement and further enhancement of outcomes. This paper would propose beginning a conversation between HIE, SFC and UHI to understand how HIE can engage with UHI more effectively in support of the region and whether there is an opportunity for the outcome agreement process to be an enabler in this.

### **Access and Inclusion**

20. HIE is committed to contributing to inclusive growth as one of the four pillars of the Scottish Economic Strategy. The need to ensure fair access to HE to those based within and from out-with the region, is paramount to supporting sustainable economic growth as it is for all rural areas across Scotland.
21. Rural and remote areas face particular challenges that are often hard to capture and define, particularly for HE. The existing index used for measuring deprivation (Scottish Index for Multiple Deprivation<sup>12</sup>) is not able to fully capture the realities of the issues faced by rural areas. Additional data is required to be able to fully contextualise rural deprivation<sup>13</sup>. Institutions based in rural and remote areas find it difficult to recruit from SIMD20 areas and as a result are unable to secure associated additional funding.<sup>14</sup>
22. Rurality places challenges on institutions delivering or being encouraged to deliver in rural areas due to increased costs associated with travel, accommodation and the provision of professional and support services for students and academics based remote from their central institutional base.
23. As stated, UHI is key to the region in relation to responsibilities for access and

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<sup>10</sup> Boeing Aviation Training Centre in Moray, the Vertical Launch Site in Sutherland and opportunities in the Marine Economy

<sup>11</sup> <https://www.gov.scot/Publications/2018/02/5490/3>

<sup>12</sup> <http://simd.scot/2016/>

<sup>13</sup> <http://www.gov.scot/Resource/0051/00514495.pdf>.

<sup>14</sup> Commission on Widening Access; Technical paper on measures and targets; March 2016

inclusion. Closer engagement with SFC, UHI and HIE would help inform and identify areas of alignment, maximise available evidence and uncover opportunities at a regional level as well as making positive contributions towards more appropriate rural indicators and targeted funding models. This aims to ensure those from disadvantaged backgrounds or living in rural areas are not restricted in their ability to access higher education due to their background or by the subject choices available to them.<sup>15</sup>

### ***Proposed action***

- Greater alignment between SFC and HIE in relation to the outcome agreement process, specifically with UHI for HE and FE, helping identify opportunities for support across agencies and maximising investment

### **Capital**

24. SFC and HIE both provide capital funding for universities and colleges for land, buildings and equipment and support work to secure effective and sustainable spaces for learning, research and innovation. There is strong existing alignment here however investments can occur independently of each organisation even though they are directly related to enabling the delivery of FE/HE activities<sup>16</sup>. Aligning processes has the potential to increase the overall impact of investments, benefiting the institutions as well as those businesses and communities within the localities.

### ***Proposed action***

- Greater alignment of SFC and HIE processes associated with capital and revenue investment seeking to maximise opportunities within the region that support business/ community collaborations/ clusters

### **Point 2: Maximising the opportunities of international relevance that exist within the region that can support the sector maintain and improve world class, high impact research and innovation**

25. Identified as the most innovative sectors in the H&Is marine economy, aquaculture, wave and tidal energy and marine biotechnology offer the greatest growth potential and opportunity to accelerate economic growth. Developing international links and expertise in these sectors through HEIs will be essential.

26. Aligned with the outcomes of the SIA and of international significance is the

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<sup>15</sup> Recommendation 18, Blueprint for Fairness, <http://www.gov.scot/Resource/0049/00496535.pdf>

<sup>16</sup> HIE's investment in the Alexander Graeme Bell Centre was independent of SFC. Orkney Islands Council and HIE are investing £6.5m in developing the Orkney Research & Innovation Campus

increasing interest across the globe in the Arctic Circle<sup>17</sup>, as a direct result of climate change. The H&Is of Scotland, due to existing expertise, proximity, shared values and common growth sectors is uniquely positioned to support world class, high impact research and innovation acting as a hub for Arctic research and innovation around sustainable development in the far north<sup>18</sup>.

### ***Proposed action***

- HIE and SFC to explore proposals focussed on maximising the international opportunities for RK&E in relation to the marine economy in the Highlands and Islands
- Investigation into the Arctic Circle as an emerging area of international interest for Scottish institutions

### **Point 3: Strengthening further engagement between the two agencies to maximise investment and enabling activities demonstrating fully the contributions to regional and national priorities.**

27. The relationship between HIE and SFC is strong and continues to develop. In order to maximise opportunities for sustainable economic growth across the whole of Scotland and contribute effectively to national priorities the needs of rural and remote Scotland need to be considered more fully within the context of the FHE sector from the ground up.

28. In the first instance, to help explore further and take forward the proposals within this paper it is recommended that a working group (at Senior Policy Officer level) is established with representation from SFC, HIE, SE, SDI-Education, US, SoSEA and SDS to consider and respond to aspects of rurality in the context of the Scottish FHE sector. There is an opportunity to feed into the Enterprise and Skills Groups with a focus on maximising opportunities for and widening access to the FE/HE sector in remote and rural Scotland. The value and justification for the group would be reviewed on an agreed basis.

### ***Proposed action***

- The establishment of a working group to take forward the above proposals

### **Risk assessment**

29. An assessment of risk has not been carried out as there is no immediate funding implication for the Council to consider.

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<sup>17</sup> In November 2017, the Scottish Government set out a commitment to developing an Arctic Strategy for Scotland

<sup>18</sup> UHI and University of Aberdeen are the only two Scottish Universities that are members of the University of the Arctic (out of 3 within the UK).



### **Equality and diversity assessment**

30. There is no need for an assessment of the equal opportunity and diversity implications at this stage.

### **Financial implications**

31. There are no immediate financial implications for the SFC Board arising from this paper.

## Recommendations

32. The Committee is invited to:

- Provide guidance and to endorse the 7 proposed actions identified in this paper. Note the extensive collaboration which already exists between HIE and SFC in Research and Knowledge Exchange (R&KE).
- Note the opportunity to collaborate and align further under a renewed Joint Strategic Framework (JSF) which will capture wider actions beyond R&KE.
- Note the context of Enterprise and Skills Strategic Board and the intent to align with the outline strategy and develop collaborations, where possible, with other agencies including Scottish Enterprise (SE), Skills Development Scotland (SDS) and South of Scotland Enterprise Agency (SoSEA).
- Note the emerging international opportunities in Highlands and Islands through the marine economy and the Arctic Circle.

## Publication

33. This paper will be published on the Council website

## Further information

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