

T: 0131 244 2814
E: dglj@gov.scot

Terry Shevlin
Clerk to the Public Audit Committee
Room T 3.60
The Scottish Parliament
EDINBURGH
EH99 1SP

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Dear Mr Shevlin

Thank you for your letters of 14 September inviting me to provide brief responses to the relevant parts of the Audit Scotland reports:

- Audit of higher education in Scottish universities; and
- Scotland's colleges 2016

I am writing to you with a single, consolidated response.

We acknowledge the interest shown by Audit Scotland in the college and university sectors, both of which sit at the very heart of the Scottish Government's vision for Scotland's education system as one of the very best in the world. In that context, the reports have contributed to our on-going engagement with both sectors.

The reports included specific recommendations directed to the Scottish Government, alone or together with the Scottish Funding Council (SFC) or the Student Awards Agency Scotland (SAAS). The Scottish Government's response to those recommendations is set out in an annex to this letter.

I hope that this input is helpful to the Public Audit Committee in its consideration of the reports.

Yours sincerely

PAUL JOHNSTON

Audit of higher education in Scottish universities

Recommendation: *The Scottish Government should ensure future decisions on levels of funding for higher education, and the areas funded, fully support its longer-term higher education policy ambitions. It should ensure that it is clear about its policy priorities where budgets remain under pressure.*

The Scottish Government has always made sure that its decisions have fully supported its longer-term higher education policy ambitions, and made it clear to universities, through the SFC, which priorities are key and will continue to do so. Our ambitions to see Scotland's universities remain excellent, competitive, and accessible are underpinned by the substantial investment we continue to provide to the sector – more than £1 billion each year since 2012-13 – at a time when the Scottish Government's budget has been significantly reduced by the UK Government.

We are of the view that clarity on priorities is adequately and appropriately provided through the Ministerial Letter of Guidance sent to the SFC ahead of the decision on allocation to individual universities. It is also set out in the draft budget document and in the Programme for Government.

Recommendation: *The Scottish Government should progress work on implementing the recommendations of the Commission on Widening Access.*

Since the report's publication we have been working hard on implementation. An early priority is appointing a Commissioner for Fair Access, and we are working to make an appointment shortly. Ministers and officials have also met with key partners including Universities Scotland, the SFC and SAAS to commence work on the development of detailed implementation plans. That work is progressing well and we will announce more detail on implementation once this has been discussed with the Commissioner.

Recommendation: *The Scottish Government and SFC should ensure they have a shared understanding of the impact of policy and funding decisions, taken by both the SFC and Scottish Government, on the SFC's ability to maximise its contribution to achieving the Scottish Government's higher education policy ambitions.*

The Scottish Government and the SFC work very closely to deliver the best outcomes for the substantial public investment in the sector. There is a regular dialogue which ensures that policy and funding decisions, and their implications, are fully understood. The Scottish Government also works closely with the SFC in relation to supporting the Outcome Agreement process, which represents an important step forward in understanding the impact of policy and funding decisions.

Furthermore, the regular engagement between the Scottish Government, the SFC and the sector itself, including through the recently-established Strategic Funding Group, facilitates shared understanding of the impact of policy and funding decisions.

Recommendation: *The Scottish Government and SFC should undertake and publish research on trends in applications, offer rates and acceptances for Scottish university places to assess what impact the limits on funded places are having on access to the*

university system for Scottish and EU students. They should consider the implications of this research for existing policy ambitions and funding approaches.

The Scottish Government remains clear that access to higher education in Scotland for Scottish-domiciled students should be on the basis of ability to learn, and not the ability to pay. The investment of more than £1 billion each year since 2012-13 has meant that the SFC is now supporting more funded places (Full-Time Equivalents) than it did in that year. We have established a Strategic Funding Group, consisting of Universities Scotland-nominated Principals, the SFC and Scottish Government officials to consider our wider ambitions for excellence and equity in the sector, alongside the current funding climate.

With regard to the specific recommendation on undertaking research and publishing trends, there is a considerable volume of information already available in this area. Nevertheless, the Scottish Government will work with the SFC and the Commissioner for Fair Access to identify where additional work may be required.

Recommendation: The Scottish Government, SFC and universities should progress plans to develop a long-term framework, as set out in the Scottish Government's 2015 Draft Budget document, for the Scottish Government and the higher education sector to work together to maximise the benefits of higher education for Scotland.

The Scottish Government remains committed to agreeing a long-term framework or Compact with the sector, the further development of which forms part of the remit of the Strategic Funding Group outlined above.

Recommendation: The Scottish Government, SFC and universities should progress work to develop an agreed approach to achieving the national targets for widening access.

The Scottish Government swiftly accepted the ambitious but realistic targets recommended by the Commission on Widening Access, and we have been clear that it is the duty of the whole education system and policymakers to ensure these targets are met. We recognise, however, that although all institutions must contribute to this national ambition, universities cannot deliver this in isolation. We have noted the sector's concerns over SIMD – but view this as a robust, sophisticated measure to track national progress. As the Commission's report indicates, there is scope for individual institutions to be subject to a more nuanced, rounded evaluation of progress on a range of measures.

We welcome the university sector's initial thoughts in response to the Commission's report. We will continue to work closely with them to ensure the impact of these proposals matches the ambitions of the Commission on widening access. Ministers and officials have also met with key partners including Universities Scotland, the SFC and SAAS to commence work on the development of detailed implementation plans.

Recommendation: The Scottish Government and Student Awards Agency Scotland (SAAS) should analyse existing student bursary and loan data to identify the impact of current student finance policies on different groups of students, such as those from deprived backgrounds or part-time students.

This recommendation will be considered within the work of the forthcoming review of student support.

Scotland's colleges 2016

Recommendation: *The Scottish Government and the SFC should specify how they will measure and publicly report progress in delivering all of the benefits that were expected from regionalisation and mergers, in line with our recommendation from last year, which was endorsed by the Public Audit Committee.*

Recommendation: *The Scottish Government and the SFC should publish information on the costs and savings achieved through the merger process, in line with our recommendation from last year, which was endorsed by the Public Audit Committee.*

As the report acknowledges, the Scottish Government informed PAC in December 2015 that we “would work with the SFC to report the benefits, costs and savings of mergers, based on the SFC’s two-year post-merger evaluations of colleges which merged in 2012-13 and 2013-14”. The SFC’s overview of its two-year evaluations was published on 22 August. Among other things, it sets out that it has taken less than 18 months for the original costs of merger to be covered by the savings.

Now that the SFC overview is available, the Scottish Government plans to bring together - in a concise narrative - the story of reform, drawing on the benefits we identified in the 2011 pre-regionalisation consultation paper *College Regionalisation: Proposals for Implementing Putting Learners at the Centre* and the available published evidence of the progress that has since been made (e.g. the June 2016 report *College Outcome Agreement: Summary of Progress and Ambitions* and the recent SFC merger overview report). In such an analysis, we would naturally draw out the five broad areas that capture better outcomes for learners to which the report refers: attainment, retention, articulation, positive destinations and student satisfaction.

Recommendation: *The Scottish Government and the SFC should work with colleges to determine the current condition of the college estate and prepare a plan to ensure that it is fit for purpose.*

The Scottish Government has asked the SFC to conduct a review of the estate needs of the sector. It is currently considering how best to take this forward.

Recommendation: *The Scottish Government and the SFC should use the Scottish Government’s end-to-end review of the skills agencies in Scotland to re-examine, clarify and set out the role of the SFC, particularly in relation to college governance.*

The Enterprise and Skills Review is examining the role of the SFC, along with other public agencies, with a view to ensuring that they deliver the joined up support that learners, businesses and other stakeholders need. However, the report of the Ministerial Task Group on College Governance considered the role of SFC, and reported that the SFC is adopting a pro-active, risk-based, differentiated approach to assurance that the terms and conditions of its grant are being met and bringing wider performance and quality issues within its new assurance framework for financial sustainability and governance.

Recommendation: *The Scottish Government and the SFC should identify and implement a better approach to allocating depreciation budgets to colleges.*

This is a complex area on which the Scottish Government and SFC have been working closely with the sector since reclassification to identify an approach which continues to benefit the sector as a whole, whilst also adhering to central government and FE/HE sector guidance. All parties are committed to close working on this important matter and recently attended the first of a series of workshops set up to progress this.