

## **SFC review of coherent provision and sustainability in Further and Higher Education**

### **Introduction to response to SFC's questions**

We welcome the SFC's call for evidence for the first phase of this review of coherent provision and sustainability, set in the context of '*Covid-19 crisis, EU exit transition, and beyond*'. We look forward to continued close engagement with the SFC and Scottish Government to frame thinking for subsequent phases of the review.

This response sets out key considerations from the perspective of the University of Strathclyde, and reflects our distinctive strength and vision as a leading international technological university that has a commitment to being socially progressive, and which builds on our historic mission as a place of useful learning. We also support Universities Scotland's response which highlights the underpinning strength of the sector, as well as universities' immediate response to the pandemic crisis and longer-term intentions to adapt in a changed context as 'anchor institutions'.

The SFC briefing rightly highlights that significant issues driving change pre-existed Covid-19. However, the current crisis has clearly required rapid unprecedented change over a short timescale. The crisis brings significant uncertainties and disruption, but also increased focus on priorities. It is important to recognise that institutions are continuing to actively manage a fluid situation and that the nature and scale of its longer-term implications remain unknown. For this reason, our response focuses largely on relatively broad matters of principle and approach, although we have included some specific proposals for maximising the impact of certain lines of support for the sector.

Any changes stemming from the review should, above all, be designed with a clear focus on ensuring that Scotland's HE and FE institutions can continue to positively impact Scotland's economic and social recovery and longer-term prosperity, working within a national and international context. Like other universities, but taking a Strathclyde-specific approach, we make significant contributions to the national effort to tackle the Covid-19 pandemic; our input has been acknowledged publicly by the First Minister, at Cabinet level in the UK Government, by the NHS and by business and industry.

Universities are exceptionally complex, many-faceted organisations, responsible for: educational establishments, including significant estates management; sports facilities; libraries and public spaces; conferencing, catering and events facilities; research laboratories – some operated with industry partners; and office space. Our ongoing response to Covid-19 across all of these areas of activity, is credit to the resilience and adaptability of our staff, students and partners, and demonstrates our agility and willingness to respond positively to change.

All institutions are facing significant uncertainties, particularly for some key income streams, and are planning within scenarios. As recognised by SFC and Scottish Government, the sector has a critical role to play as a constructive partner in Scotland's economic and social recovery; financial sustainability is fundamental to ensure such partnership can be effective during this challenging period. Universities have been '*open for business*' throughout the pandemic, responding rapidly to refocus research and innovation activity and we are ready and eager to welcome students for the academic year ahead.

Although we acknowledge the questions in this call are framed around the further and higher education sectors together, we have largely responded from a University of Strathclyde or university sector perspective, where possible providing specific examples of 'what works' or 'what's needed' to ensure the ongoing strength, success and economic and social contribution of Scotland's world-renowned universities.

In this first phase of our review we are interested in your views on these six areas in particular:

- a) What do you think works well in the current further and higher education arrangements that we should keep in order to secure Scotland's inclusive social and economic recovery from the current pandemic? How can we best preserve and strengthen those features of education, research and innovation in Scotland that we most prize, in a very challenging funding environment?

The strength, competitiveness and positive diversity of the higher education sector in Scotland is built on a system of well-led autonomous institutions with their own governing bodies and strategies formulated to advance their individual missions. This is the underpinning strength of the sector that has enabled institutions to respond positively and with agility during the Covid-19 pandemic as well as to the pre-existing challenges of building economic and social progress in a restricted funding environment. Given the potential impacts of the Covid-19 crisis on Scotland's people and economy, we consider it more important than ever to focus on our Mission at Strathclyde, which is set out in our 2025 Strategy as follows: *From our foundation as the place of useful learning, we take it as our responsibility to research, teach and be of benefit to society – to reach outside the University to make the world better-educated, sustainable, prosperous, healthy, fair and secure.*

It is critical that any proposals to strengthen current further and higher education arrangements are informed by the HE sector's own expertise, which includes its proven role as the lynchpin of collaboration across all sectors of the economy, with essential global reach.

The current situation has demonstrated the value of the current mixed model of higher education funding: public funding has helped ensure resilience against the economic shock, while universities' ability to generate income from a variety of sources and, with their industrial partners, to stimulate economic growth and job creation through innovation is crucial to the national recovery. To be truly sustainable, it is vital that the mix is right and a shortfall in one area is mitigated through additional support in another, whilst minimising the risk of over-dependency on any particular source. For example, full funding of research should not critically depend on Universities' other income streams, particularly where the level of risk in those is high.

In order to enhance our contribution to Scotland's inclusive social and economic recovery, there should be a focus on leveraged public investment to:

- Protect and enhance Scotland's academic excellence and sector reputation
- Create even more flexible education opportunities, responsive to learner needs, underpinned by industry demand and employer engagement
- Deepen industry & public sector engagement around R&D and innovation (Catapults, Innovation Centres, industry facing centres, Innovation Districts, Professors of Practice, public sector partnerships, enterprise investment, the attraction of international investment)
- Build on successful collaborative approaches that support impact generation and competitiveness for UKRI funding (Innovation Centres, Fraunhofer, pooling)
- Drive forward change around inclusion and sustainability (widening access, net zero)

- b) What do you think colleges, universities and specialist institutions should stop doing, or do differently, in order to contribute effectively to an inclusive social and economic recovery? (You may wish to comment on teaching and skills development, sectoral and employer needs and employability, research, innovation and knowledge exchange, widening access and equalities issues.)

**'Playing to strengths' with supporting funding/accountability mechanisms:** Each institution has a unique and distinctive contribution to make to inclusive social and economic recovery. The most effective approach is likely to be one where institutions are 'playing to their strengths' rather than all attempting to 'cover all bases'. Therefore, institutions should be better enabled to pursue distinctive strategies – which may include stopping doing some specific things or focusing on certain collaborations over others – as part of a cohesive overall sector.

To ensure that both funding approaches and accountability frameworks support this, existing approaches should be thoroughly reviewed and, where appropriate, amended or discontinued in favour of optimally effective approaches. Some areas for consideration are suggested below.

**Funding frameworks:** There is clear value – in terms of transparency and direct link to delivery – in formulaic funding methodologies, with pre-determined conditions of grant to ensure accountability, and penalty frameworks where required. However, some of the current funding methodologies have variably lost their direct link to the original or most recent policy drivers, no longer clearly incentivise desired activity, and/or have become overly complex with examples of inflexible penalties or lack of (immediate) reward for delivery, reducing institutional ability to adapt and innovate.

We have noted here some specific areas which, if reviewed, would better enable institutions and the sector collectively to take agile and collaborative action:

- **Widening access:** Over the past 5 years there have been no explicit additional places nor wider recognition of the additional costs within funding allocations. We encourage SFC to take a broader, more inclusive approach to access and inclusion, recognising wider markers of deprivation, and recognising that efforts to meet additional needs of students (digital poverty, hardship, academic support, transition) will require investment.
- **Upskilling Fund:** We understand this is due for review and strongly encourage SFC to take past delivery and strategic alignment into account when determining future allocations, whilst also enabling increased flexibility in deployment of the funds in the current context, drawing on US proposals around flexible modular offerings.
- **UIF:** Relevant funding for R&KE is already under review, although that review is currently paused. In section (f) we provide some specific proposals for maximally productive new forms of support in this area, which could benefit from releasing funds by reviewing previous initiatives.
- **SFC's funding conditions** for some specific areas of recruitment are both complex and, at times, contradictory: for example, for controlled subjects strong retention can tip the balance towards penalties for exceeding population limits. We would encourage SFC to better enable recognition of circumstances which are essentially technicalities/small margins rather than improper use of public monies.
- **For new / changing areas of activity,** in some cases managed conversations to agree alternative use of innovative adaptive monies can better enable the original objectives to be met.
- **Implementing changes to funding allocations:** At the time of the previous REF, SFC staggered changes to allocations thereby delaying the benefit/impact of results by over 4 years from the date at which underpinning data was submitted. If the purpose of the funding is to recognise and reward institutions making the greatest contribution, then this approach worked against that principle. The sector can adapt faster if funding adapts too.

Against this backdrop, we acknowledge SFC's stated commitments at the point of 'lockdown' to exercise greater flexibility around, for example, student recruitment in 2020-21, with less complex /stringent penalties for over or under recruitment. This contrasts with the introduction of temporary Student Number Controls for recruitment of English-domiciled entrants in 2020-21.

### **Suggested changes of focus for maximum impact in the new context**

**Teaching and skills development, employer needs:** As a leading provider of accredited Graduate Apprenticeships and professional education, we have an extensive network with industry, commercial, public and third sector employers and close associations with professional and accrediting bodies. Our relationships with these organisations are founded on substantial success, fostering confidence and trust in the approach and the quality of our activity. We are now working to establish priority strategic development areas, allowing us to rapidly co-create with industry-relevant short courses that benefit from the easier access and flexibility inherent in online study. To get to this position has taken time, commitment and investment; undertaking this type of activity at scale will not be realistic or productive for every institution and can best be delivered through targeted flexible publicly funded co-investment.

As specific suggestions:

- We would encourage **extension of the loan package available to Scots/EU PGT (and PGR) students**, which is no longer competitive with that available elsewhere in the UK, to better enable us to support upskilling and reskilling through postgraduate taught provision, to mitigate risk of graduate unemployment and to train the future workforce. When the Scottish Government previously boosted its loan package in 2017, and made this available to all Scots/EU Masters students, this had a significant positive impact on recruitment.
- We are keen to see **dedicated funding for Graduate Apprenticeships confirmed for the medium term**, to allow us to cement our relationships with employers and continue to adapt our offering in response to employer need and learner demand. We have upwards of 500 Graduate Apprenticeship (GA) learners in Engineering, Business and IT which is a win-win arrangement for individuals and their employers. GA students were able to study even if furloughed, creating enhanced resilience. Strathclyde's delivery model has allowed us to readily adapt to the Covid-19 implications: each GA at Strathclyde is a standalone course with well-developed, designed for purpose, online delivery materials and dedicated support.

**Social recovery for Scotland – Access, Equalities, Inclusion and Resilience:** The sector has made significant progress around widening participation, and we are proud of our success in attracting greater numbers of entrants from areas of multiple deprivation, with care experience, and holding other under-represented characteristics. This will remain a priority, especially considering the likely economic and societal impacts of the Covid crisis. At the same time, we are aware of the need to pay attention to new or changing specific forms of disadvantage that relate to current circumstances.

Our immediate response to the crisis has included:

- identifying and addressing 'digital poverty' issues (purchasing laptops and providing bursaries for internet connection);
- providing extensive online support for transition into university study, including remote study skills provision, summer school presentations and online versions of our transition events for disadvantaged groups;
- extension of mentoring support, usually provided to care experienced students and asylum seekers, to those in halls of residence during lockdown and beyond;
- creating a Covid-19 Hardship Fund that has supported, to date, 286 students (UG and PG) with grants totalling over £290,500.

Prolonged school closures and digital poverty are expected to cause widened attainment and learning gaps between school pupils from different backgrounds. The work of universities in schools' engagement and outreach will therefore be of even greater importance over the next few years if successes in improving access to higher education are to be sustained. Universities will continue to take forward their own effective practice in access but SFC-funded regional and national initiatives are also vital to ensure coherence and broad reach.

**With no reduction in ambition or commitment to widening access, we would like to see the SFC's funding and accountability frameworks adapt to take account of this changed context, with a need for flexibility to account for individuals' circumstances and to address medium term issues.**

**Industry Engagement:** Strathclyde has made a significant contribution to responding to the Covid crisis through its support for and interaction with business.

Beyond this, there are opportunities for further engagement with business across the whole eco-system of support, from start up support and IP commercialisation through to the attraction of international business partners. This structured approach was recognised in the recently published UKG R&D Roadmap which used the 'Strathclyde Innovation Ecosystem' as an exemplar with two other exemplars referencing Strathclyde strategic partners NPL and the Offshore Renewable Energy Catapult.

The attraction of international business partners requires dedicated and ongoing support. The impact of this work could be enhanced with more Universities collaborating to attract such investment. Again, this will require investment if progress is to be made. Mechanisms to reward collaborative actions between institutions need to be flexible, transparent and strategically invested.

c) How can colleges, universities and specialist institutions best support Scotland's international connectedness and competitiveness in the post-pandemic, post-EU membership environment?

Universities Scotland has articulated at a high level the key ways in which Scotland's universities bring critical substantive and reputational advantage for Scotland, and what this means in terms of attracting staff, students and investment. In terms of specifics from Strathclyde's perspective:

**Talent attraction and retention:** Scotland, with its relatively low birth rate and current in/outward flows of people, needs to attract highly skilled people. We have particularly benefited from the attraction of many EU citizens, particularly as PhDs and university academic, research and administrative staff.

The UK Government's post-EU international strategy should provide new opportunities to support engagement internationally, within and beyond Europe. Linked to this, the new visa rules of UK government will help to continue to ease the process of attracting further international talent to Scotland. We strongly encourage the Scottish Government to seek to influence this policy area, and to remove any and all barriers to talent attraction and retention in universities in order to secure a strong university sector for the future. Some proven examples to consider include the New Zealand approach to attracting international PhD students by equalising fees with those paid by home students and the Government of Catalonia's international talent attraction programme, TECNIOspring.

We note and support comments from Scottish Government Ministers in relation to the importance of international exchange programmes such as Erasmus, and around the possibility of introducing new scholarship arrangements for EU students. For the latter, we would particularly encourage a focus on PhD students; we have benefited significantly from a flow of postgraduate research students from EU countries, noting numbers are concentrated in particular subjects which are critical to Scotland's future economic recovery.

**Collaboration to promote Scotland internationally:** We propose to extend the ambition to identify locations to collaborate in. Sector and stakeholder expertise can help to develop criteria to help prioritise a small number of additional international locations, with a view to making the whole greater than the sum of the parts. This would complement Scottish Government international priorities and bolster Scotland's impact in markets where SDI has resources.

There is a strong interest, in the context of the Scottish Government's developing FDI plan, in exploring if a distinctive 'offer' can be made to the global company base to encourage more inward investment - based on broader engagement than simply partnering with Scottish-developed IP. We would also like to build the case for a significant new proposal to support taking our excellent collaborative models (such as the Energy Technology Partnership) in to new international markets, alongside our partners.

**Generation of leads for foreign direct investment:** Universities like Strathclyde offer both the specialised R&D infrastructure and knowledge that attracts high value industry and the ability to supply the niche skills bases that are essential for follow-on growth. Examples such as Strathclyde's Advanced Forming Research Centre show how we can cement links to foreign companies and provide their UK subsidiaries with strong arguments for continued support. This is especially important in the context of EU negotiations.

Against this backdrop there is a need to reinvigorate Scotland's 'Investment Plan' and better recognise HE as a major partner in FDI propositions. A significant contribution could be made to the "opportunity areas" referenced in the report of the Advisory Group on Economic Recovery. Almost immediately, we could develop propositions to pilot in

a number of sectors where – working collectively - Scotland has significant global leadership, including low carbon, digital (e.g. quantum computing) and health. This will require additional business development resource.

Furthermore, we could work with SDI to help identify key individuals in overseas target businesses who could help support our collective ambitions. This would be through partner institutions, research collaborations, alumni, etc.

**Leveraging Alumni networks:** With all universities facing a fall-off in opportunities for international placements, a mitigation is to target both overseas investors and Scottish exporters interested in those markets who could utilise a (virtual) placement of our students currently studying, for example for a Masters in International Business, with a language. There is a clear opportunity to scale this up across the sector and draw in government and its agencies.

More broadly, our collective alumni networks represent a real asset to support economic recovery and we are supporting on-going efforts to capitalise on this.

d) What opportunities and threats does the post-pandemic environment hold for colleges, universities and specialist institutions? For institutional leaders, how are you planning to address these challenges and opportunities?

Whilst it is possible to aggregate the potential impacts of the pandemic on specific income streams and on overall financial sustainability of the sector, **each institution will have its own profile** of income, dependencies, cash reserves, borrowings, profile and potential to mitigate and take advantage of opportunities arising - leading to higher or lower levels of risk - and with varying timescales before impacts will be felt. Within our submission of 24 April to SFC we included a detailed risk register, including mitigations, and we would refer SFC to that document, noting that a number of the issues set out have progressed, whilst others remain areas of great uncertainty.

There are two major areas of uncertainty to highlight:

- Significant reduction in surplus generating income streams, under certain downside scenarios, with significant consequences if these are not contained to single year impacts;
- While the current USS valuation process is in process and outcome uncertain, there is significant downside risk to future academic years if the outcome results in increased employer contributions.

Overall, we are addressing challenges and opportunities by setting these in the context of our overall Strategy underpinned by our Vision, Mission and Values, which underpin our decision-making.

e) What forms of collaboration within the tertiary education eco-system would best enable a coherent and effective response to these challenges and opportunities?

Positive examples of collaboration have been most effective where these have benefited from strong visionary leadership, dedicated support, strategic alignment, and governance arrangements appropriate to the purpose, ensuring all parties' needs are taken into account. Universities Scotland's response has highlighted the need to consider collaboration in the broadest sense, not just between further and higher education institutions in Scotland. We have many examples of large scale, multi-partner, cross-sector collaborative efforts which are enabling us to progress on, for example, global R&D challenges in ways which transcend organisational boundaries.

We recommend that SFC and Scottish Government take a flexible approach to national, regional and local institutions and groupings, placing emphasis on incentivising publicly funded organisations to collaborate with each other across their remits to ensure that successful emergent priorities can be progressed, rather than focussing too strongly on finding the "right" structures. This is especially true at the present moment, with the effects of the pandemic still being actively managed and the nature and scale of its longer-term implications still unclear.

Government should work with local institutions and organisations that have a track record of successful collaboration, delivery and impact. If the focus is on the strength of the proposition then any organisational boundaries can be overcome. Specific proposals regarding support for collaboration are provided in section (f).

f) How can SFC, alongside government and other enterprise, skills and education-focused agencies, best support colleges, universities and specialist institutions to make their full contribution to Scotland's inclusive, green and education-led recovery? In particular, you may wish to draw out:

- How scarce public resources should be prioritised to drive recovery

We encourage the SFC and wider agencies to focus on recovery and contribution with a forward-looking perspective. This should not be driven solely by institutional shortfall or pre-existing boundaries and should retain flexibility given the uncertain nature and scale of the challenges ahead. There are clear structural, historic, timing and strategic reasons which put institutions in different positions leading in to the pandemic, and hence in different positions in terms of their capacity to mitigate risks and contribute to the recovery. To have the greatest impact, it is essential to bolster the ability of institutions best placed to rapidly respond, whilst also supporting those in more challenging positions to adapt.

Universities Scotland has set out a range of potential areas for investment noting that a balanced programme of investment by government and its agencies will be required. Here we highlight some general principles and some examples focused on outcomes rather than mechanisms.

**Inter-connectivity of funding:** In the context of multiple agencies delivering on issues of importance to Scottish Government (e.g. skills, innovation), there needs to be a clearer overview of, and potentially greater cohesion to, different funding systems set up with similar outputs and outcomes. This should take into account not just cross-Scotland activity, but UK, European and potentially broader international activity (taking into account developments in the context of Brexit). Attention must be paid to logistical details – the timing of calls, content of programmes, and rules that cater for inter-connectivity – drawing on sector expertise.

**Balance between formulaic and strategic funding, and between national and local approaches:** Significant investment in R&D at UK-level, through UKRI, brings challenges with dual support. Institutions in Scotland need sufficient REG and UIF funding to be competitive with institutions elsewhere in the UK. In relation to SFC funding, there should also be an appropriate balance between reliable formulaic funding and call-based strategic funding, arguably using more of the latter to drive innovation and change and enable institutions to play to their individual strengths and capacities. To have the greatest impact it is imperative that:

- planning of call-based funding is improved and bidding and reporting processes are streamlined, and considered alongside existing outcome agreement and reporting processes (integrated where appropriate);
- there is greater flexibility in the use of funds to reduce inefficiency and allow best value by increased recognition that existing resources contribute to the successful outcome of strategic projects;
- the appropriateness of timeframes for delivery of call-based strategically funded projects is reviewed.

To have the greatest impact, autonomous universities need to be supported to design and implement projects on a bottom-up basis in the areas that best support local and regional economic and social recovery, set within a national and international context. It is also important to allocate and adapt funding based on record of delivery, and ability to leverage additional funding, rather than simply following historical patterns or distributing too 'thinly' across the sector to be effective.

It is critical to ensure a close connect between the end purpose and the allocation and reporting methodologies. While interests may sometimes be best served by decisions at the Scottish level (for example major energy, innovation and other key priorities) there are regional, City and local development decisions where regional-level decisions could be more appropriate (e.g. West of Scotland / Glasgow region).

We very much welcomed the SFC and Scottish Government's rapid response through the provision of the additional £75M for research, using pre-existing funding allocation mechanisms, and setting reasonable conditions of grant. The additional, and brought forward, funding for student hardship support, and capital maintenance, are equally helpful and responsive to need without being overly prescriptive. Building on this, we would like to see SFC, Scottish Government and the other enterprise, skills and education-focused institutions:

- Work together to create **a new simplified funding package for flexible postgraduate taught and skills-based learning**, building on positive examples, and enabling rapid adaptation, responsive to shifts in demand, with minimal strings
- Work with counterparts across the UK, in a context of significant investment in R&D, to create **a refreshed, evidenced and fully sustainable dual support model for research**, removing the sector's reliance on cross-subsidisation
- **Build on positive progress to date with Innovation districts**, which represent a real opportunity for partners to coalesce around a common goal. All partners will require to utilise these assets, for example, prioritising their use when presenting Scotland in international markets. Further geography-based initiatives (for example, the Clyde Mission work) could usefully add to and complement the progress being made.
- **Deliver Green investment**: COP26 is a huge opportunity for Scotland, set against climate change being our greatest medium-term challenge.

**Scotland as part of UK Roadmap for Research & Innovation:** The UK Roadmap for Research and Innovation set out a continuing commitment to 20% year on year growth of UK Government spend on R&D: this significant investment is both welcome and representative of medium term thinking during a highly unstable time. As Scotland accesses much of this funding through competitive research and innovation funding of UKRI and through Catapult and other funding, University research and connectivity into the UK R&I funding landscape is vital for Scotland to be able to win its share of this large funding source.

The Roadmap signals the need to combine support for transformative research with increased applied research development and implementation. Strathclyde's success in winning funding from research councils has been alongside funding won through the Catapult system, to leverage Scottish Government funding in support of the expansion of HVMC, the development of the MMIC, and the development of NMIS. Each part of this funding picture brings resilience and creates opportunities beyond the scope of the single streams.

A key new element to the Roadmap is the creation of an ARPA-style agency, together with the concept of 'moonshots'. Investments of this kind can by their nature be transformational, and Scotland must be able, and supported, to bid successfully into this new system. To build such bids, institutions require robust staffing capability, which in turn requires stable underpinning research funding. Uplifting the competitive R&I funding will not be productive without aligned uplift in core research funding. A long-term sustainable commitment to support R&D is necessary to strengthen the ability of Scottish institutions to compete for the UK funding streams, particularly those of greater scale.

Scottish universities, and Strathclyde in particular, are also keen to engage with the internationalisation opportunities set out in the Roadmap. The emphasis on place-based outcomes in the R&D Roadmap is reflected in the way that Strathclyde has been able to attract a range of Innovation Organisations, from Scottish Innovation Centres, to Catapult Centres and Fraunhofer, to ensure that industry can easily work with a range of partners, cater for different needs, and access different types of funding support. We believe that universities should be intimately linked with R&D organisations such as Catapults, and highlight the successful approaches in our own Advanced Forming Research Centre (part of HVM Catapult) – an anchor element of the National Manufacturing Institute for Scotland – and with Fraunhofer UK, in both cases through joint staffing arrangements, and through flexible funding programmes which enable us to respond quickly to the needs of industry. This has enabled us to develop more effective and strategically embedded means to channel the outputs of excellent research to higher Technology / Manufacturing Readiness Levels, allowing accelerated university-industry response to the pandemic and more generally take-up of technology, process and system innovations.



**A strong research base for Scotland's future:** In building a strong pipeline of future research talent we have been growing our numbers of PGRs and junior research staff - retaining and developing this talent is critical to underpin future R&D.

EU and non-EU students are extremely important to this future talent, particularly in some key subject areas and we welcome the Scottish Government's commitment to retain funding for EU students within the sector, noting that this is likely to be needed to mitigate against a potential sharp fall-off in recruitment.

This ties closely with the Government's priorities for the additional £75M research funding for 2020-21, which was also welcome in the context of risks to our ability to cross-subsidise our research activity during the next academic year. A financially sustainable medium term solution, developed across the UK, is needed to mitigate not just the Covid-19 and Brexit implications, but in order to diminish the requirement for substantial cross-subsidisation from higher risk income streams.

**Critical nature of Collaborative R&D:** Strathclyde has the highest level of industry research funding in Scotland in both absolute and proportional terms, and we have trebled this income over the past decade.

Our work with industry and public sector partners is critical to the country's economic and wider social recovery. Innovation Districts are key to regeneration and economic recovery and the UK Government recognised this when, in its R&D Roadmap, our Innovation Ecosystem was identified as an exemplar of the work of an institution at the forefront of research and innovation. The roadmap also recognised that our innovation initiatives *'are attracting significant numbers of companies and organisations looking to nurture and accelerate growth, improve productivity and access world-class research, technology and talent from the University of Strathclyde'*. We would also highlight that Business Schools have a key role to play in helping support recovery, and Strathclyde is particularly leading on contributions – to public, private and third sector - around entrepreneurship, workplace innovation, the economy, and management science.

We would strongly encourage the Scottish Government to identify a range of ways to support industry – which is under significant stress – to continue to invest in R&D, in line with the UK Government's overall 2.4% target. This remains far lower than that in comparator countries and is critical for Scotland's future high value economy.

**Adapting to new normal – the University and the City:** Our community, and that of other universities and colleges in Glasgow, makes up a substantial component of those living in, and moving around, the City of Glasgow. Issues relating to transportation, and kick-starting the economy within Glasgow, must be addressed through close collaboration, and clearly communicated to instil confidence in students, staff and all our stakeholders.

**We encourage SFC and Scottish Government to look at all mechanisms for Government support to adapt campuses, enable safe transportation, and to support delivery of our ambitious sustainability commitments.** This might be achieved through an expansion of available funding from the existing SFC Financial Transactions program with low borrowing costs and flexible capital repayments during the early years when research and commercial income is being established. In the short term, while we are committed to sustainable travel, we would suggest a pause in implementation of the Workplace Parking Levy', in view of significant changes to staff and student commuting patterns and current risks inherent in using public transport,.

- Adaptations to SFC's funding and accountability frameworks to promote agile and collaborative action by the sectors to build Scotland's recovery

**Accountability:** Accountability for funding is a critical element of our overall governance responsibilities as publicly-funded institutions and we fully recognise our responsibilities to contribute strongly to the sector's response. Large elements of our funding come directly from UK or Scottish Government and so it is important that this review should acknowledge wider funding and accountability frameworks, beyond those overseen by SFC.

The Covid-19 pandemic has illustrated how agile both the sector and the SFC can be when focused effort is required and we would particularly commend the way in which the SFC worked with the sector to rapidly determine allocations, prioritisation and funding conditions associated with the additional £75M for research and innovation.

The requests from SFC of institutions for information in the second half of 2019/20 have been different from those in previous years, tending to be with a shorter-term outlook, but more frequent, and with less time to prepare. These reporting requirements have underpinned the financial accountability framework and informed SFC and Scottish Government decision making in what has been a very fluid environment. The University has done all possible to provide thoughtful and comprehensive responses to SFC requests for information and, understanding fully the challenges for all, has supported short notice requests to the best of its ability.

As the sector prepares to return to campus to resume teaching and research activities in the coming weeks and months, and with the significant work effort required to achieve this with minimal disruption but ensuring safety of students and staff, it is suggested that any future requests for information come with more time available to gather the fullest possible response.

It should be recognised that many institutions have bank borrowing, with covenant compliance clauses which require regular provision of information. To reduce the burden on institutions as was indicated by the SFC at the start of the COVID-19 impact, consideration should be given to the use of existing reporting stemming from such reporting obligations rather than making additional requests.

In terms of the oversight framework of Outcome Agreements, we welcome SFC's commitment to comprehensively review the approach and to refocus sector priorities for AY2020-21. We would encourage SFC to undertake the review with reference to the original principles for OAs and to deliver clear and early advice for 2020-21, which better delineates between:

- Accountability for appropriate use of funds, best determined through statutory returns and associated formal reporting
- Fulfilment of essential compliance requirements, which should be kept separate from the Outcome Agreement process
- Individual and cross-sector performance and contribution against policy objectives – proposed to largely focus on outcomes, but with room for consideration of some early input or process indicators, ensuring this is kept focused and respecting institutional autonomy and distinctiveness.

#### **Proposals for new support for collaboration in Research & KE:**

- **Targeted support for new collaborative initiatives.** This would enable the sector to respond in an agile way to newly arising challenges. Existing initiatives should be properly evaluated to ensure the most effective use of available funding.
- **Targeted support for Scottish SMEs.** There is currently a gap between support for small feasibility projects (SFC Innovation Vouchers) and the next level up such as KTPs. An intermediary collaborative mechanism, whereby companies could still contribute in-kind to the project, would provide a pipeline of projects for KTPs and enable SMEs to achieve better outcomes.
- **Regional Hub and Spoke model for spinout creation.** The sector contains proven expertise in the creation and support of high potential spin-outs and start-ups (for example, at Edinburgh, Strathclyde and Aberdeen, among others. This expertise could be made available across Scotland through a Regional Hub and Spoke model (Enterprise Campus 2). This would be a valuable outcome of UIF collaborative work.
- **Recognition of, and support for, the Innovation Districts.** Through further development of the Glasgow City Innovation District and others, institutions can help create regional ecosystems and clusters of companies in key sectors. This aligns well with the UKRI agenda of creating and growing industrial clusters and will help Scotland continue to excel in high-value industries such as Quantum and Space.

- How SFC's funding and accountability frameworks should ensure that equality and wide access to educational opportunity are promoted as key elements of the recovery for younger people and adults

We agree with the Universities Scotland proposal for a quick review exercise to ascertain how equalities issues are changed by new patterns of disadvantage resulting from Covid-19. In particular, we agree SFC should take a holistic approach to addressing equalities issues, recognising the complexities and interactions between different characteristics, and the need to consider each individual's circumstances in the round.

In terms of funding linked to equality and access, SFC sought sector inputs in September 2019 to its review of the Widening Access and Retention Fund, the only dedicated funding stream for widening access. Please refer to our more detailed submission to that consultation, which both sets out the positive trajectory we have achieved and gives encouragement to SFC to adapt funding and accountability frameworks to better incentivise and recognise delivery of change and overall contribution. Our overall advice to SFC was that WARF should *reflect current institutional contributions to national policy objectives. The funding should consider scale of activity, and be linked to outcomes.* Our 2019 response remains valid at this time, but is still more pertinent in the context of post-Covid-19 recovery.

Extract from WARF consultation response from University of Strathclyde, with some of the principles set out below more widely applicable than WARF:

*If allocating formulaically, we would propose keeping the approach quite simple, ensuring there is a connection to scale of activity/contribution, and an evidence base around need.*

*In this context, between 2014/15 and 2018/19, Strathclyde increased its SIMD0-20 intake by 50% to over 500 entrants and our SIMD0-20 ratio increased from 12% to over 16%. In 19/20 we are reaching the stage of being close to our ultimate access targets, but would like to focus further on internal distribution, distribution across deciles, and closing any retention or attainment gaps, in line with the Commissioner's advice and our own strategy. We would also encourage SFC to ensure allocations are managed on a medium term basis (avoiding large swings due to non-significant year to year variation), enabling multi-year investment of support.*

*We believe that at least a portion of the fund should be set aside so that institutions can bid for funding to undertake innovative, pilot projects that aim to address specific access issues. The learning from these projects can inform future WARF investment, enhancing the evidence-base for the whole sector. Successful bids should have clear aims and an evaluation strategy that allows for a robust understanding of outcomes that can be shared with other institutions.*

Strathclyde has made significant strides through strategic prioritisation and investment to become the leading research intensive university for widening access in Scotland. This is part of an extensive framework of equality and inclusion activity, including a range of areas where we have provided sector leadership, all within a context that there is no differential in SFC funding for widening access students (however defined) nor mechanism for reward or penalty for success or otherwise in this overall policy area. Mechanisms to better recognise our contribution through funding and accountability frameworks would enable us to continue to embed and extend this work, addressing new needs of students arising due to the pandemic.

- What support SFC and government could give institutions to adapt to a changed environment

As noted earlier in our response, we have welcomed the financial support provided to date through additional research, hardship and capital maintenance funding, in addition to the commitment to retain EU student funding within the sector.

We understand further consideration around financial support will follow once recruitment outcomes are clearer and financial forecasting crystallises. In the meantime, we would encourage SFC and Scottish Government to continue to engage with UK-level support discussions and, as Universities Scotland have suggested, to create capacity to support institutions' change initiatives which have a demonstrable 'value proposition' built around trust and evidence of capacity to deliver. This can be supported through enhanced institutional engagement, drawing on existing relationships and re-setting these in relation to any new accountability arrangements.