



T: 0300 244 4000
E: scottish.ministers@gov.scot

Mike Cantlay
Chair
Scottish Funding Council
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD

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Dear Mr Cantlay,

2018-19 OUTCOME AGREEMENT GUIDANCE

1. I am writing to set out my expectations and ambitions for 2018/19 Outcome Agreements prior to finalisation of the Scottish Funding Council's (SFC) associated guidance for colleges and universities.

2. This follows discussions in recent months with the SFC on those areas where I expect to see a particular focus in the forthcoming guidance, including the need to set more ambitious targets; to engage external stakeholders as appropriate; to drive desired behaviours through a more dynamic allocation of places and funding; and to improve transparency, accountability and drive improvement through the publication of institutional level performance information.

Strategic Priorities

3. In my Letter of Guidance of 31 March this year, I set out my strategic priorities for the Government's investment in the further and higher education sectors and I emphasised the need for the SFC to maximise the contribution that your investment makes in achieving the Scottish Government's priorities.

4. The strategic priorities I set out in that letter remain unchanged, and the SFC's Outcome Agreement Guidance should be robustly tested against that those priorities and my request for a clear line of sight between your investment in colleges and universities and their contribution to the delivery of our national priorities.

5. As the Strategic Board is established as part of the Enterprise and Skills Review, I shall also look to the SFC to align with the specific priorities identified by the Board and its new governance structures as they emerge.

Programme for Government

6. As further context, the Programme for Government, published earlier this month, recognises the significant contribution made by the further and higher education sectors to our inclusive economic growth agenda. It also acknowledges the need to build on this success and sets out Government's key related activities in 2017-18¹.

Focus of Government Investment

7. I also want to take this opportunity to restate that colleges are not required to prioritise full-time provision for 16-24s but rather should be responsive to the current needs of learners and the economy. This must include access to opportunities for part-time learners, learners over the age of 24 and those returning to learning for up-skilling and re-skilling.

Intensification of the Outcome Agreement process

8. Outcome Agreements (OAs) are key to ensuring that colleges and universities have a clear understanding of Government priorities and keep those to the fore as they deploy public funding to allow local, regional and national skills needs to be met. They should also set ambitious targets to drive improvement and create a robust basis for assessing the impact of investment.

9. As we have discussed, I look to the SFC to continue to develop and improve use of OAs to achieve our desired outcomes for learners, for skills development and ultimately for inclusive economic growth in Scotland. I welcome your plans to develop more ambitious targets for key priorities; to secure greater support and commitment to OAs in institutions, especially from staff and student representative organisations; and consistent with this intensification of OAs, to develop similarly robust reports on performance.

10. I would encourage you to consider other measures as a means of leveraging better outcomes for learners: for example more extensive external engagement in the OA process including with local authorities and employers; the publication of college and university and college level performance data; and the use of financial incentives and clawback arrangements where that might be appropriate.

Key Policy Areas

11. I see this intensification of OAs as being particularly relevant in driving improvement in the following priorities.

Widening Access

12. In my statement to Parliament on 30 May 2017, I made clear my expectations for progress in the coming year to drive forward implementation of the recommendations from the Commission on Widening Access (CoWA). These included the specific expectation for SFC to ensure that the access targets being set through the OA process are sufficient to enable delivery of the targets in Recommendation 32, including at institution and national level and for full-time first degree entrants. And within this to:

¹ A Nation with Ambition: The Government's Programme for Scotland 2017-18 (ISBN: 9781788511919)
<http://www.gov.scot/Publications/2017/09/8468>

- Monitor delivery by institutions and identify where targets are not met or where it feels they are not being set at a sufficiently challenging level;
- Improve transparency by setting out in their OA, a clear plan for how they will achieve their ambitions and for detailing their progress.

13. In addition, there are further areas where the Commission identified OAs as a means to monitor and drive progress with implementation including at Recommendations 9 and 11. In respect of 9, this recommends that the SFC, alongside universities and colleges, closely monitors the expansion of articulation to ensure it continues to support disadvantaged learners to progress to degree level study. Where this is not achieved my expectation is, in line with the recommendation, that a proportion of articulation places will be prioritised for disadvantaged learners.

14. To ensure progress at pace the 2018-19 OA guidance should clearly incorporate these processes. Furthermore, the guidance should also initiate the work required to deliver on other areas still under development, for example in respect of Recommendation 11 in order to ensure the readiness of the SFC to monitor the impact of access thresholds and contextual admissions. The recommendations of the Commission have been accepted in full and the SFC have a key role in ensuring delivery of the recommendations at pace. This should be clearly reflected across the 2018/19 OA guidance as a whole.

University Retention and Outcomes for Disadvantaged Learners

15. At the first meeting of the Access Delivery Group I set out the Government's ambition that our work on access will go beyond *entry* to higher education to include improved retention, qualifications and outcomes for students from disadvantaged backgrounds. I expect these areas to be reflected in the OA guidance and national measures going forward.

College Retention and Attainment

16. The national college improvement programme has now been launched with the aim of improving retention and raising attainment in colleges over the next two academic years, with five colleges forming an improvement team for the initial phase. By building a deeper understanding of the system, its impact and its users, and combining this with learning from testing and data, colleges will be able to bring about significant local improvements. As the project develops I expect all colleges to focus on ensuring the learning insights from local experience are extended across the sector, resulting in a nationally improving picture for retention and attainment.

Enterprise & Skills Review - Skills Alignment

17. We recognise there is a need for our investment in enterprise and skills to help create a workforce which can compete effectively in an increasingly competitive global economy. The importance of industry leadership in determining current and future skills needs cannot be overstated. This must be a system wide approach. We look to SFC to continue to work closely with Skills Development Scotland and other relevant bodies on skills planning and development, harnessing the energies of industry leaders in transforming our approach.

18. In all of the above, we recognise the substantial work SFC has already undertaken in building a coherent approach to skills development that aims to improve the alignment of education and training provision to the needs of industry and the economy. We ask that you continue to work with partners to embed an improved skills planning model that will ensure investment in the right skills at the right time for Scotland. Specifically in relation to OAs, I

expect SFC to work to deliver integrated processes for progressing institutional Outcome Agreements, along with co-ordinated and robust monitoring and performance management.

STEM

19. Increased participation in Science, Technology, Engineering and Mathematics (STEM) subjects at colleges and higher education institutions is a high priority for the Scottish Government and our efforts around this will be outlined in detail in the forthcoming STEM Strategy for Education, Training and Lifelong Learning. In order that more people are able to access high quality employment in future and enhance Scotland's existing reputation for innovation, we need a higher level of uptake in STEM study and research as well as to promote increased diversity and equity in participation, attainment and outcomes in STEM study. We need to ensure that people have the correct skills to mould and negotiate the future labour market to help support and sustain economic growth in Scotland.

20. I wish to see the Scottish Funding Council, through the Outcome Agreement process, promote the uptake and benefit of STEM learning in Scotland's colleges and universities. The SFC should seek to enable colleges and universities to work with partners across the learning system to support promotion of STEM education from early years through schools at primary and secondary level. In addition, SFC should work with colleges and universities to engage with business and industry in localities and regions to ensure that the right education and training for future workforce requirements is delivered. Finally, it is important that the outcome agreement dialogue can deliver college and university learning activity that can inspire people of all ages to study STEM and to consider employment in STEM-related areas.

21. I want to see progress evidenced at both the sector level and in the context of current performance demonstrated by individual institutions.

Innovation

22. Driving up levels of business innovation in Scotland is a key aspiration of this Government. Both universities and colleges have a key role to play in this. I expect the SFC to continue to work in partnership with the sectors, Enterprise bodies and others, and to use OAs to agree with the sectors how the Universities Innovation Fund (UIF) and the new College Innovation Fund (CIF) will deliver systemic change and drive up levels of business innovation in support of the Enterprise & Skills Review and the Can Do Innovation Action Plan for Scotland.

Gender Balance

23. The Gender Representation on Public Boards (Scotland) Bill was introduced to the Scottish Parliament in June 2017, with Stage 1 due to be completed by early December. The Bill sets a 'gender representation objective' that public boards have a 50:50 gender balance by 2022. However, I wish to see much more rapid progress made by our further and higher education institutions in addressing imbalances in gender representation in senior ranks and on Boards and Courts. It is important that these institutions reflect the wide diversity within Scotland's society and the student population that they serve. The institutions should highlight how they are proactively promoting gender balance on their Boards and all activity towards achieving these outcomes through a regional gender action plan.

24. SFC should identify those institutions where significant imbalance remains and work with them to ensure that a robust plan is in place to address this as quickly as possible.

25. I expect progress against this ambition to be a key element of Outcome Agreement discussions and to be reported clearly at institutional level as part of that process.

Employability

26. The Scottish Government remains committed to improving employment outcomes for young people and is taking forward a range of initiatives for support aimed at addressing youth unemployment, and, in particular, support for young people with barriers to work, through programmes such as the Employability Fund, Community Jobs Scotland and Scotland's Employer Recruitment Incentive.

27. SFC should continue to work with SDS and other partners to help deliver the Scottish Government's priorities on employment outcomes and help to provide a range of options to support young people.

Developing the Young Workforce

28. Continued progress with the Government's youth employment strategy, Developing the Young Workforce, requires an agreed, national level of ambition from the college sector in growing senior phase vocational pathways, and close working with partners on planning and delivery. I expect the SFC to reflect on how the OA process can be used to achieve and manage performance in relation to this, taking account of regional variations, the contribution of different partners and the need for agreed approaches on curriculum planning and timetabling.

Apprenticeships

29. I recognise the key role of the college and university sectors in supporting the Scottish Government's ambitions to grow, enhance and widen the Scottish Apprenticeship family. The SFC should continue to work closely with Skills Development Scotland to maximise opportunities to build and strengthen pathways into and across the Apprenticeship programmes, particularly in key sectors such as STEM, digital skills and early years workforce expansion. There is an expectation there will be increased emphasis placed on the quality of provision on offer.

Flexible Workforce Development Fund

30. I note the SFC is to support distribution and monitoring of funding to colleges on behalf of Scottish Government for the Flexible Workforce Development Fund (FWDF) pilot in 2017-18. It is recognised that much work that goes on in the college sector is closely aligned with the needs of both employers and local and regional economies. Scottish Government believes that this new fund can drive that alignment further still, with a focus on addressing skills gaps of those in the workplace and increasing the productivity of levy-paying employers.

31. As 2017-18 is the first year of delivery for the FWDF, it is important that an enhanced evidence base is developed. To this end I expect SFC to provide Scottish Government with regular progress updates and to work with officials to put in place an independent evaluation of the fund. This will ensure we capture the successes and areas for further development of the pilot model.

Conclusion

32. The intensification of Outcome Agreements is central to achieving our ambitions for learners and for inclusive economic growth, as well as enabling the SFC and the Scottish Government to evidence the impact of public investment. For this reason, I wish to remain close to the development of this work and its early outputs, and would ask that you engage with my officials to support this as appropriate. I would also welcome regular reports on Outcome Agreements at our Ministerial liaison meetings.

Yours sincerely,



SHIRLEY-ANNE SOMERVILLE