

**Minister for Further Education, Higher Education  
and Science**

Shirley-Anne Somerville MSP

T: 0300 244 4000

Professor Alice Brown  
Chair  
Scottish Funding Council  
Apex 2  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD

---

29 September 2016

Dear Professor Brown,

**SCOTTISH FUNDING COUNCIL – INTERIM LETTER OF GUIDANCE 2017-18**

1. I am writing, as my predecessor did, at this time of the year in order to enable you to finalise your 2017-18 Outcome Agreement Guidance for both the college and university sectors.
2. The 2017-18 Draft Budget will be published later this year and will be set against a backdrop of challenging financial circumstances resulting from year on year real terms reductions proposed in the UK Spending Review; the uncertainty over the further £3.5bn reduction across the UK in 2019-20 planned by the former Chancellor; and, of course, the added uncertainty following the outcome of the EU Referendum.
3. This fiscal background means that it is important that all public bodies, and those receiving funding from the public purse, continue to operate in a way that demonstrates creativity, value for money and propriety. It is important, therefore, that we take a practical approach to future spending decisions. The Scottish Funding Council has a key role to play in continuing to ensure, not only that funding decisions made are well informed, but that the budget available to it is deployed in a way that makes the most effective use of the funds available.
4. In light of on-going Draft Budget preparations, I am unable to confirm budget allocations for the sectors at this stage in the planning process. I will write again following the conclusion of the process to set out clearly the budgets that have been agreed, and my full expectations for that funding.

5. You will, however, be aware that the First Minister has made clear the importance she places on excellence and equity in education and ensuring that Government priorities in this area are met. It is important, therefore, that I set out for you at this stage in the planning process my high level expectations for both colleges and universities in the coming academic year.

6. I can confirm that my high level strategic objectives for colleges and universities remain essentially unchanged from those set out in your Letter of Guidance of 10 September 2015. Specifically these are:

- Highly efficient and effective regional structures for colleges, including structures in multi-college regions
- High quality effective learning
- Access to education for people from the widest range of backgrounds, including implementation of the recommendations of the Commission on Widening Access
- Learning which prepares people well for the world of work and successful long term careers, and which prioritises provision that meets known skills gaps in the economy, for example in STEM subjects, and in doing so supports our ambitions for economic growth
- Internationally competitive and impactful research
- Effective knowledge exchange and innovation including excellent university / industry collaboration
- Leading the college contribution to implementing the Developing the Young Workforce strategy
- Address the underrepresentation of women on the governing bodies of colleges and universities and at senior levels, and gender balance among student intakes for some key subjects, including STEM subjects.

7. In asking institutions to deliver these high level objectives, I would ask that the Scottish Funding Council also takes account of a number of recent developments and key manifesto commitments which play a vital role in shaping future provision.

8. Specifically, I want the SFC to ensure that the level of provision in the college sector – 116,000 FTEs - is maintained in academic year 2017-18. In doing so, it is important that the SFC supports the college sector to continue to deliver the high quality learning and teaching opportunities that the sector has successfully provided to students since the implementation of college reform. It is also important that the SFC continues to support the reformed college sector to build on its strengths in delivering learning connected to the needs of their regions. In line with this, I expect the SFC to continue its efforts to ensure the college sector maintains progress on national bargaining and its plans for modernising the college workforce.

### **Programme for Government**

9. I know that you will want to pay particular attention to the recently published Programme for Government which sets out clearly the First Minister's commitment to both the college and university sectors. In addition to the £33m accelerated capital awarded to support capital maintenance – which I expect the SFC to manage in a

way that maximises both the opportunity to deliver improvements across the further and higher education estates, but also in a way that ensures the economic impact of the investment is clear. The Programme for Government also confirmed an additional £1.3m to be used to support capital investment in physical infrastructure for HE research. I expect this funding, which will be match funded by the UK Government, to build on the already significant investment the SFC makes to ensure our universities continue to produce world class research.

10. The Programme for Government also makes reference to a forthcoming review of FE and HE student support to ensure that the entire system is equitable, fair and supports all students throughout their learner journey. The review will commence later this year (October) and conclude in autumn 2017. I understand my officials have already written to you to secure your involvement at project level and will discuss options for strategic input as work progresses. I look forward to your close engagement with this important review.

### **Widening Access**

11. The widening access agenda is one against which I place the utmost importance. Ensuring that those with the potential to learn, regardless of their background, are able to access higher education is vital if we are to enable all individuals to achieve their potential. I would therefore ask that the SFC make explicitly clear in its guidance to the sector that delivering against this commitment is a clear priority for Government which should be met. I also expect the SFC to play a key role in taking forward, and supporting implementation of, the recommendations of the Commission for Widening Access. More details on my expectations for this will be included in a further letter of guidance to be issued later this year.

### **Developing the Young Workforce**

12. Our Developing the Young Workforce (DYW) strategy, with its target to reduce youth unemployment by 40% by 2021, continues to be a key priority for Government. The SFC should continue to progress harnessing meaningful employer engagement in colleges and to forge high quality partnerships across school, training provision, colleges and universities in the best interests of the learner. I expect the SFC to monitor the impact that these new partnerships and approaches are having for learners, in particular those who face the greatest barriers, in line with the key performance indicators and intermediate measures set out in the DYW programme.

13. DYW - along with the implementation of the Commission for Widening Access - will form one of the twin foundations of our work to take forward the manifesto commitment on improving the learner journey. I will look to the SFC to support the Scottish Government as we scope this work. This will involve our establishing the evidence base, engaging the sectors, learners and other stakeholders; and developing and testing new approaches to ensure a more seamless and efficient experience for learners moving through the senior phase and ultimately to employment.

## **Science, Technology, Engineering and Maths**

14. Building on the Developing the Young Workforce Programme, we are developing a STEM education and training strategy for Scotland. The strategy will aim to raise levels of STEM enthusiasm, skills and knowledge in order to support attainment and aspiration in learning, life and work as well as to meet labour market needs. I expect the SFC to play a full part in developing and then driving forward delivery of the strategy, including through the Outcome Agreements.

## **Gender Action Plan**

15. I expect the SFC and its education partners to engage actively with the college and university sectors to implement its Gender Action Plan, published in August 2016, and to address the gender imbalance at senior academic levels in our institutions. In addition, you will be aware of the Gender Balance on Public Boards legislation announced in the Programme for Government. There will be an opportunity to comment on the Draft Bill before the end of the year and I would ask the SFC to encourage institutions, as appropriate, to participate in that consultation.

## **Innovation**

16. The Innovation Centre programme represents a substantial and long term commitment of public funding. I therefore welcome the independent review being led by Professor Graeme Reid and will be interested to see his final report in the near future. I will look to the Funding Council to consider carefully the report's recommendations and to work in partnership with my officials, the Enterprise bodies and other partners to maximise the impact of the programme.

17. I am aware of the Funding Council's role in supporting the work of the Innovation Scotland Forum (ISF), particularly the development of an Action Plan to better drive industry-academia collaboration. I expect the Funding Council to continue to work in partnership with the sector, Enterprise bodies and others to support the delivery of the ISF Action Plan and to increase the economic returns from Scotland's world class research base. This work, of course, feeds into the ongoing review of the innovation landscape, into which the Funding Council should continue to contribute.

## **Enterprise and Skills Review**

18. On 25 May, the First Minister announced that the Scottish Government would carry out an end-to-end review of enterprise and skills services in Scotland to ensure that public agencies, including the SFC, are delivering the joined-up support that young people, universities, colleges, training providers businesses and the workforce need. As one of the bodies whose services lie at the heart of this review, it is important that the SFC continues to engage positively and constructively with the work that is underway. I would ask that the SFC demonstrates creativity and energy in its response to the emerging findings which will be published shortly.

19. In addition, the outcome of the review may require additional guidance to be issued to the sector to ensure that its findings are reflected in Outcome Agreements. In the interim, I would anticipate that both sectors will give further consideration to ways in which they can take action now which is consistent with the aims of the review, such as simplification of the learner journey.

### **European Referendum Result**

20. Earlier this year, the UK voted to leave the European Union – a vote which was overwhelmingly rejected by the Scottish electorate. We are intent on pursuing all options to maintain our relationship with the EU so that the benefits we currently enjoy can be preserved. We have already made clear that existing EU students and those about to start in 2016 will continue to benefit from free tuition and associated support for the duration of their course. I look to the Scottish Funding Council to work collaboratively with the Scottish Government and with institutions to consider how best to ensure both sectors, but particularly the university sector, maintain their relationship with partners in the EU; continue to foster international collaboration enabled by EU research programmes; and continue to ensure students from elsewhere in the EU benefit from a first class education in Scotland and that staff and student mobility continues to be encouraged.

### **Employability Services and Fair Work**

21. On 8th September we announced the approach to employability support services for disabled and long term unemployed people in Scotland from 1st April 2017, with 1 year transitional services ahead of enduring services from April 2018. I look forward to discussing with the SFC the college sector's support for these services, building on its experience to date, including continued delivery of the Employability Fund.

22. Ministers have been clear that public bodies should lead the way on Fair Work, ensuring access to good jobs providing security and opportunity to employees, treating them with respect and providing fair reward. There are currently 4 FE and 4 HE institutions, accredited as Living Wage Employers. I would ask that you build on this by encouraging more FE and HE institutions to become Accredited Employers and to promote the benefits of Fair Work, both through their HR functions and more widely to staff and students.

### **Climate Change**

23. The Government's ambitions around reducing carbon emissions were clearly set out in 'Climate Ready Scotland: Scottish Climate Change Adaptation Programme' which was laid before Parliament in May 2014. I note the progress that has been made across both sectors in this regard, however, I expect the SFC to encourage institutions to make further progress both to reduce GHG emissions, act sustainably and prepare effectively for the unavoidable impacts of climate change. In particular, I would ask that the SFC encourages all listed universities and colleges in

Scotland annually to report good quality and complete information on compliance with the climate change duties, by 30 November each year.

### **Audit Scotland**

24. You will also be aware that Audit Scotland has recently published two reports – one looking specifically at colleges and the other at universities. I ask the SFC to consider carefully the content of each of these reports and, in particular, the recommendations set out for the SFC, and consider how best to respond. I would be grateful if the SFC could update me on its considerations before Parliament rises for the autumn recess in October.

25. The Audit Scotland report on Scotland's Colleges recommended that the sector should develop long term financial strategies and implement a more strategic approach to workforce planning. I would ask that the SFC supports the sector, as appropriate, to deliver these recommendations.

26. I note that the Audit Scotland report also mentions workforce planning underway at the SFC. As an organisation with an eye towards continuous improvement to fit with our public service reform ambitions, I would ask that you finalise this workforce plan and share with my officials at the earliest opportunity.

27. As noted at the outset of this letter, I will write again following confirmation of 2017-18 budgets for the FE and HE sectors, setting out in more explicit detail my expectations for the funding secured by both sectors. In the meantime may I take this opportunity to express how much I am looking forward to working with the SFC, colleges and universities over the coming years to shape the delivery of learning for our students; secure our ambition of excellence and equity for all; maximise the impact of our excellent research and of our combined resources to secure our collective ambitions for the sectors. Supporting learners to achieve their full potential is an ambition that I am passionate about. I look forward to your support in delivering for Scotland.



**SHIRLEY-ANNE SOMERVILLE**

Copies to:

James Dornan, Convener of Scottish Parliament Education and Skills Committee  
Hugh Hall, Chair, Colleges Scotland  
Shona Struthers, Chief Executive, Colleges Scotland  
Liz McIntyre, Convener, Scotland's Colleges Principal's Convention  
Professor Andrea Nolan, Convener, Universities Scotland  
Alastair Sim, Director, Universities Scotland  
Sally Loudon, Chief Executive, COSLA  
Bill Maxwell, Chief Executive, Education Scotland  
Damien Yeates, Chief Executive, Skills Development Scotland  
Grahame Smith, General Secretary, STUC  
Mary Senior, Scottish Official, University and College Union  
Larry Flanagan, General Secretary, EIS  
Mike Kirby, Scottish Secretary, Unison Scotland  
Pat Rafferty, Regional Secretary, Unite Scotland  
Gary Smith, Acting Regional Secretary, GMB Scotland  
Vonnie Sandlan, President, NUS Scotland  
Lena Wilson, Chief Executive, Scottish Enterprise  
Charlotte Wright, Interim Chief Executive, Highlands and Islands Enterprise