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By email Chair@sfc.ac.uk

19 March 2021

Dear Mike,

SCOTTISH FUNDING COUNCIL (SFC) – LETTER OF GUIDANCE 2020-21

Introduction

1. Last year, in light of the COVID-19 pandemic, we issued an interim letter of guidance in April 2020 asking the Enterprise and Skills agencies to stop all but the most critical 'business as usual' activity, re-prioritise and work collaboratively to meet the immediate challenges of the crisis. I am very grateful to you and your staff for the arrangements you made during the year.
2. The plan was to follow up with more detailed guidance during the year and following the publication of the 2020 Programme for Government, the continued uncertainty and second wave of the pandemic towards the end of 2020 meant that we have not seen a return to 'business as usual' or been faced, yet, with the full extent of the crisis. It is acknowledged this letter is being issued very late in the financial year however, the Board provides strategic leadership, direction, support and guidance to the SFC and has a corporate responsibility for its performance and delivery of Ministers' policies and priorities.
3. The 2021-22 Strategic Letter of Guidance is anticipated to be issued in April 2021 and will focus on the priorities for each of the agencies for the coming year.

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Strategic context

COVID-19 recovery

4. This year has brought with it challenges which none of us could have foreseen. The COVID-19 pandemic has impacted on our economy, delivery of education, skills support and institutions in a way that is truly unprecedented. I would like to take this opportunity to thank you, your board and the entire organisation for the creative and innovative ways in which the SFC has pivoted your focus at such short notice to support Scotland's businesses, communities, individuals, institutions, learners, researchers and the wider economy.
5. I particularly welcome the flexibility you have demonstrated in responding to uncertain and fast moving circumstances. This flexibility will continue to be extremely important going forward. Your role in supporting colleges and universities through the pandemic has been key to mitigating the impacts of the crisis on young people, and moreover being able to adapt to the changing environment. The efforts of your staff in supporting this delivery have been invaluable. It is critical that you continue to be adaptable, flexing where necessary over the remainder of this financial year and that you respond to emerging need with a clear sense of urgency.
6. Our priority is dealing with the economic, health and social crisis brought about by COVID-19. However, it is vital that we also consider how we can emerge from the crisis stronger and with a renewed focus on ensuring that Scotland's economy is as competitive, robust, fair and sustainable as it can be. The pandemic is shaping our economy and society, both in the immediate and longer term. Our priority remains to deliver excellence and equity across Scottish education, with an immediate emphasis on supporting the health and wellbeing of children and young people. It is important that we look ahead and consider what can be done differently to support our sectors and help our learners, staff and institutions to adapt successfully.

Programme for Government and the Economic Recovery Implementation Plan

7. Our Programme for Government 2020 (PfG) set out Ministers' strong belief that in recovering from COVID-19 it must not be business as usual, that we need to use this moment to make significant advances to deliver a recovery that is led by green growth and also promotes fairness and wellbeing. The PfG commits to:
 - a. a national mission to create new jobs, good jobs and green jobs, with a particular focus on young people;
 - b. promoting lifelong health and wellbeing; and
 - c. advancing equality and helping our young people grasp their potential.
8. The PfG also takes account of the findings of the Advisory Group on Economic Recovery and the Scottish Government's response, the Economic Recovery Implementation Plan. Delivering on the actions set out in the Implementation Plan will require a cohesive and coordinated approach and we have committed to working in partnership with the SFC and the other Enterprise and Skills Agencies, business, trade unions, third and voluntary sector bodies and local authorities to achieve this. Discussion with the Enterprise and Skills Agencies on prioritising activity in support of this work will continue to take place through the Enterprise and Skills Strategic Board.

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- I look to you to ensure that your work over the remainder of this financial year aligns with the priorities set out in the PfG, the Economic Recovery Implementation Plan, and our wider economic strategy. I expect you to continue to work in partnership with the Scottish Government and the other Enterprise and Skills Agencies to harness your collective expertise and knowledge, shaping our new economic future and determining how best we respond to emerging opportunities over the coming months.

Brexit

- I do not underestimate the risks posed by the consequence of Brexit and the impact that this has on your own activity, as well as the advice and support you provide to businesses, universities and colleges.
- The Scottish Government is committed to continued engagement with the UK Government on key issues of relevance to the Enterprise and Skills Agencies, such as the development of the Shared Prosperity Fund, participation in the Horizon and Erasmus programmes and replacement of the current state aid regime. I am grateful for your engagement with my officials on these issues and ask that you continue to share your views and experience. I welcome your valuable contribution to the Building Resilience Steering Group and the work you are taking forward to increase the preparedness of businesses.

Fairer, Stronger Workforce

- We look to the SFC to adopt Fair Work practices and to support the delivery of Fair Work in the services and interventions you provide. It is critical that workforces are able to benefit from fair employment practices which are supportive of their wellbeing, particularly as we start to recover from COVID-19. I am aware of the significant amount of work that you have done to engage and consult with your staff during the crisis and ask that you continue to reflect on the refreshed [COVID-19 Statement of Fair Work Practices](#), as well as the Fair Work Convention's Framework.
- In addition, the Young Person's Guarantee will ensure that young people are given the chance to succeed despite the economic impacts of COVID-19. The [interim report](#) describes the overarching ambition and the expectation that a range of stakeholders, including the Enterprise and Skills Agencies, will contribute to its development and delivery. I recognise that alignment between the Young Person's Guarantee and the Enterprise and Skills Strategic Board will be crucial going forward and would ask you to consider how best you can contribute to this important agenda, not only through supporting clients but specifically as an employer.

Enterprise and Skills Strategic Board - Collaboration and Alignment

- The Strategic Plan developed by the Enterprise and Skills Strategic Board provides long term direction to Scotland's Enterprise and Skills Agencies and I ask that you continue to make progress against the missions and actions set out in the Plan, and as agreed and reviewed. I also ask that you **actively** collaborate with the other agencies in developing your business planning, including involvement with their Boards and CEOs. The other agencies will be asked to involve you in their planning.

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15. In addition, in July 2020 the Strategic Board published its recommendations for mitigating the labour market impacts of the COVID-19 crisis. I ask that you work collaboratively giving consideration to sharing resources to implement the actions set out in the Scottish Government's response, [Addressing the Labour Market Emergency](#) and to consider the practicalities of introducing the changes required to address rising unemployment.
16. I also look to you to continue to work with the other Enterprise and Skills Agencies to fund and support the Strategic Board's Analytical Unit.

SFC Contribution

17. The SFC has a key role, as the national strategic body for funding teaching, learning and research in our colleges and universities; to support our drive to achieve excellence and equity across the education, research and skills landscape; to maintain our reputation for world-class research, encouraging collaboration and innovation across the sector and beyond; to realise increased effectiveness and efficiencies; and to generate the skilled workforce Scotland needs for sustainable economic growth.
18. In the year ahead, I look to you to realise the ambitions set out in your Strategic Framework and to deliver the revised programme of activity set out in your draft Operational Plan:
- Continuing to support colleges and universities through the COVID-19 crisis must be your main priority.
 - Taking forward your review of coherent provision and sustainability.
 - Working to support the economic recovery, and mitigating the impacts of the crisis on young people.
 - Responding to recent reviews, including from the Advisory Group on Economic Recovery, and the sub-group of the Enterprise and Skills Strategic Board on the labour market emergency.
 - Working closely with other partners, including Skills Development Scotland (SDS), and supporting other partners where you can add value or contribute to the national effort and in particular progressing joint work with SDS on Foundation and Graduate Apprenticeships.
19. At the heart of this lies the expectations that the SFC operates as a highly effective public body, working in partnership with others in both the public and private sectors and with communities to improve outcomes, moderate the demand on wider public services and support an inclusive and sustainable economy.
20. In line with past letters of guidance, I have set out a series of ambitions and operational asks of SFC at Annex A. I ask that you consider the ways in which you can continue to deliver against these ambitions, in the context of your work to support economic recovery.

SFC Budget 2020-21

21. For the remainder of 2020-21, I look to the SFC to make decisions that ensure the funds provided to it by the Scottish Government are used to progress the priorities set out in this

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letter, and in particular to (i) support recovery from the impacts of COVID-19 through the retention of existing jobs and the creation of new jobs, with a particular focus on young people, (ii) provide support to sectors most exposed to the economic effects of COVID-19 (iii) increase the preparedness of businesses, universities and colleges for Brexit, and (iv) drive green growth.

22. I welcome the SFC's approach to working openly with my officials to consider ways of prioritising and maximising spend within its allocated budget for 2020-21. I ask that you maintain a forensic scrutiny on your financial position and seek all opportunities to secure efficiencies.
23. The budget allocation and monitoring letter issued on 24 June 2020 confirmed your budget for 2020-21. Any in-year transfers, both in or out of the budget, will be detailed at the Autumn and Spring Budget Revisions, published each year and subject to Parliamentary scrutiny.

Financial Year 2020-21	£m
SFC Admin	7.9
FE Programme	640.0
HE Programme	743.2
FE Capital	35.7
HE Capital	342.2
NPD	29.3
Financial Transactions	55.0
College Depreciation	26.8
Total	1,880.1

24. All agencies should ensure that they follow the Accountable Officer (AO) Template process set out within the [Scottish Public Finance Manual \(SPFM\)](#). The AO template should be used for any new spending decisions over £1m for new COVID or non-COVID expenditure as well as any spend relating to EU transition. Draft templates should be shared with finance business partners as early as possible for review and SG finance should be engaged at the outset of any new spending proposals.

Conclusion

25. I hope the direction set out in this letter is helpful to inform your business planning for the remainder of 2020-21. I and my Ministerial colleagues are grateful for the contribution the

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SFC continues to make to realising the Scottish Government's purpose and I look forward to continuing to work with you as we navigate these challenging times.



RICHARD LOCHHEAD

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Gary Cocker, Clerk to the Scottish Parliament Education and Skills Committee
Ken Milroy, Chair, Colleges Scotland
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Carol Turnbull, Chair, College Principals Group
Elizabeth Passey, Chair, Committee of Chairs of Scottish Higher Education Institutions
Professor Sir Gerry McCormac, Convener, Universities Scotland
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SFC LETTER OF GUIDANCE 2020-21

1. The COVID-19 pandemic has had a fundamental impact on all aspects of further and higher education and the SFC's operations. It is to SFC's significant credit that it has managed its funding and revisited its guidance to sustain the continued operations of our colleges and universities. And even more importantly, SFC has played a key role in working closely with myself, my officials, colleges and universities to maintain the delivery of teaching, research and innovation as far as possible while ensuring the safety of staff and students.

2. Dealing with the impact of COVID-19 will continue to be our key focus for the remainder of 2020-21 and I would therefore ask you to sustain your own emphasis on the mitigating actions available to you.

Review of coherent provision and sustainability

Over the summer, Ministers commissioned SFC to undertake a review of coherent provision and sustainability. We welcome the opportunity this provides for SFC to state the ambition for tertiary education in Scotland and reappraise how our public investment in further education, higher education and research can best be used to the maximum benefit of learners, the economy and our society. Following the publication of the Phase 1 report, we look forward to continued close engagement on the key themes and ideas which have emerged in order that we can explore future policy options. I recognise the ten key themes from the first phase and support the nine areas you have identified for attention and development in Phase 2:

- A continued focused response to the COVID-19 pandemic, particularly in the areas of health and safety; supporting students to succeed; economic and social recovery; and financial sustainability.
- Assessing the feasibility and prioritisation of options outlined under theme three in moving towards an integrated, connected tertiary and skills eco-system for learners and employers.
- Working with UK partners to protect and enable investment in research and innovation and ensure its outcomes are aligned to future requirements such as health, societal changes and the economy.
- Development, with SDS and stakeholders, of skills alignment, and the funding and planning of Foundation and Graduate Apprenticeships.
- Engagement with employers and industry to ensure their views and expertise help inform and improve student outcomes.
- Exploring how we can collectively enhance and support digital and blended learning options.
- Developing further SFC's Outcome and Impact framework, funding methodologies, quality assurance arrangements, options for targets and measures, and a Transformation Fund.
- Engagement with multi-college regions on next steps.
- Making sure student views are threaded through your considerations, including establishment of a student advisory group to facilitate that.

In parallel, and as the Phase 1 report acknowledges, you will continue working with college and universities to monitor and mitigate, as far as possible, the likely impact of EU Exit and to

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ensure our institutions remain attractive and competitive in a global education market and research environment. I also understand you plan to produce a draft college sector medium term estates strategy in line with the timing of Phase 2 of the Review.

I look forward to receiving regular progress updates and the outcome of your Phase 2 work in the first quarter of 2021.

The Review also forms part of our 'Coronavirus (COVID-19) – Further and Higher Education Sustainability Plan', published on 9 July 2020, and I ask that you continue to support us in taking forward both the actions set out in that plan and in subsequent efforts to manage and mitigate the impacts of COVID-19, while maintaining the quality of the student experience. Over the next few months that will include co-ordination of activities to ensure safe campus management and the collection of regular and ad hoc information from colleges and universities.

SFC Strategic Framework - Leading, Inspiring, Investing: Making Scotland the best place in the world to learn, educate, research and innovate

Although COVID-19 has profoundly changed the further and higher education and research environment, the analysis of the future you set out in your 2019-2022 Strategic Framework still holds good. Addressing the productivity challenge and inclusive growth, Brexit, international competition, regional inequalities, changing expectations of students, the impact of wider UK policies and very tight public finances either remain or have been amplified by COVID-19. That framework identifies the challenge of ongoing disruption and therefore the importance of our education system to our future success – to prepare people and organisations for the changes to come, and to help people of all ages learn, re-skill and up-skill throughout their lives.

You should therefore ensure that the strategies set out in your Strategic Framework are integrated with the work you are now taking forward within the Review of coherent provision and sustainability.

At the same time, it is vital that you continue to deliver effectively against your core functions. The importance of doing so has been well-proven in how you have supported colleges and universities since the onset of COVID-19.

In your Strategic Framework you said that you would be focussed on developing the system of tertiary education in Scotland, including the connections between schools, colleges, other forms of training, and universities. The apprenticeship family sits within that overall system and earlier this year we commissioned the SFC Chief Executive to lead on the development of a plan that will deliver Foundation and Graduate Apprenticeships as part of the Further and Higher Education offer. I am very grateful for the work undertaken to date and I now look forward to receiving your advice and seeing strong progress, taking full account of learning from the existing programmes, budgetary pressures and financial sustainability of colleges and universities.

Implementing and embedding skills planning across Skills Development Scotland (SDS) and SFC will be even more critical, given the economic and labour market challenges created by COVID-19. The Scottish Government remains committed to skills alignment with an absolute priority around the delivery of a new funding and operational delivery model for Foundation and
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Graduate Apprenticeships (FAs and GAs) from 2021-22. Following consideration at the Enterprise and Skills Strategic Board in December 2020:

- SFC will develop an Implementation Plan in consultation with SDS to deliver Foundation and Graduate Apprenticeships in 2021-22 to be submitted to Scottish Government by end February 2021.
- SDS and SFC will develop a revised skills alignment process, taking into account the changes in policy and economic context.
- A new skills alignment process will be established to replace the governance envisaged by the Enterprise and Skills Review Phase 2 Report.

There are a range of other matters which you are taking forward as part of your Strategic Framework implementation and core functions. In particular, I ask you to continue to progress the following policy objectives:

- Widening access and increasing articulation with advanced standing.
- Where appropriate, engaging positively with new UK Government and UKRI research and innovation initiatives as part of the implementation of the UK R&D Roadmap, including developments relating to the UK's departure from the EU, in order to allow Scotland to help shape, implement and make the most of emerging opportunities.
- Contributing to the development of the National Manufacturing Institute for Scotland and participating in delivery of our wider manufacturing programme, Making Scotland's Future; and other place-based, joint partnership initiatives such as at the former Michelin site in Dundee.
- As part of your Review of coherent provision and sustainability, exploring how we can collectively enhance the impact of the university research base, the evidencing of that impact, the translation of research outputs into practical innovation, and Scotland's international reputation as a science and research nation, including through supporting implementation of our existing Innovation Action and Export Growth Plans and our new Inward Investment Plan.
- Continued progress with skills alignment, ensuring it evolves to take account of lessons learned from its practical implementation and working with partners.
- Working with partners to drive delivery of the STEM Education and Training Strategy.
- Delivery of the Flexible Workforce Development Fund.
- Managing delivery of Early Learning and Childcare places.
- To support the statutory lead responsibility of education authorities for community, learning and development, and in relation to colleges' statutory duty to consult the local authorities for the area in which colleges are situated (in the exercise of colleges' functions), ensuring colleges actively participate in Community Learning and Development planning and delivery, with particular emphasis on those furthest from

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inclusion, including young people who are furthest from inclusion, ESOL learners and adults with low or no qualifications.

- To support local partnership working to better meet ESOL need. This should include consideration of how funds can support all types of provision that meet this need. I want you to ensure that colleges establish joint delivery plans with Community Learning Partnerships that make clear how local need is being met and make best use of core funding. These arrangements should allow all ESOL learners to be supported to participate on non-accredited provision, where this is appropriate, and establish the pipeline of provision which supports progression, where that is appropriate.
- Implementation of mental health counsellors across colleges and universities.
- Ensuring that the sectors are working towards the four key priorities of the Government's Equally Safe Strategy.
- Leading on addressing the Equalities and Human Rights Commission's (EHRC) recommendations relating to racial harassment in universities.
- Developing arrangements with colleges and universities for reporting against the requirements of the Gender Representation on Public Boards (Scotland) Act 2018, in line with guidance which will issue in the next few months.
- Encouraging senior figures within the Further and Higher Education sectors to demonstrate restraint in their own pay settlements and senior pay packages.
- Providing advice and input to the Scottish Budget and Spending Review process.
- Play a key role in helping Scotland achieve its ambitious Climate Change targets, including increased focus and action on decarbonisation, ensuring a green recovery from COVID-19 that delivers economic and social opportunities.
- Explore opportunities to preserve and expand Scotland's share of the international student market, particularly within the context of EU Exit and in light of recent Ministerial commitments to offer new support for international students.

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