

Minister for Higher Education, Further Education, Youth  
Employment and Training  
Jamie Hepburn MSP



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Mike Cantlay  
Chair of the Board  
Scottish Funding Council

BY EMAIL  
[chair@sfc.ac.uk](mailto:chair@sfc.ac.uk)

cc Karen Watt  
[kwatt@sfc.ac.uk](mailto:kwatt@sfc.ac.uk)

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Dear Mike

## SCOTTISH FUNDING COUNCIL – 2021-22 INITIAL LETTER OF GUIDANCE

Last year, in light of the COVID-19 pandemic, we asked the Scottish Funding Council (SFC) to stop all but the most critical ‘business as usual’ activity, re-prioritise and work collaboratively to meet the immediate challenges of the crisis. More detailed guidance was issued in March 2021 that focussed on delivering a strong COVID-19 and Brexit response, whilst harnessing expertise and knowledge to shape our new economic future and determine how best we respond to emerging opportunities.

As the new Minister for Higher Education and Further Education, Youth Employment and Training I am very grateful to you and your staff for the arrangements you made during the past year. I look forward to working with you on the important agenda of further and higher education, research and knowledge exchange.

As we begin a phased approach to easing restrictions, there remains a strong focus on how we address the social and economic impacts of the pandemic. To take account of the continued uncertainty, I am therefore proposing to take a similar approach to last year. This initial letter of guidance recognises the need for the SFC to continue to be responsive in the face of changing circumstances, whilst highlighting priority areas of work for the short to medium term. I propose that we revisit in the autumn to review progress, including on the budget and to take account of the new Programme for Government. We can issue further guidance, if required, to reflect any changing, emerging or new priorities. This approach will also be taken by the other Enterprise and Skills Agencies.

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## Economic recovery

The [2020 Programme for Government](#) underlined the need for our recovery from COVID-19 to be led by green growth and to also promote fairness and wellbeing. It committed to: a national mission to create new jobs, good jobs and green jobs, with a particular focus on young people; promoting lifelong health and wellbeing; advancing equality and helping our young people to grasp their potential. These priorities and drivers still stand.

In addressing priorities I expect the SFC to work in ways that clearly contribute to the National Performance Framework (NPF), both in supporting its relevant outcomes and displaying the core values. To achieve this ambition, the SFC must work closely with the further and higher education sectors to collectively deliver the Scottish Government's priorities. And, of course, we expect SFC to maintain a strong commitment to the achievement of efficiencies, and to maximising the spend on programmes to deliver outcomes for Scotland.

## Coherent Provision and Sustainability: A Review of Tertiary Education and Research

As Minister for Further Education, Higher Education and Science, Richard Lochhead formally commissioned the SFC to lead a review of coherent provision and sustainability across tertiary education and research. Phase 1 of the Review, published its report in October 2020, which detailed the emerging ten themes from stakeholder consultation. The Phase 2 progress report published on 24 March 2021, and the final Phase 3 of the Review was published on 29 June 2021.

Ministers will work in partnership with SFC and stakeholders to consider the findings and to agree a framework and timescale for implementation of the Report's recommendations. I expect to issue the Government's formal response to the report by late September.

## COVID - Preparing for academic year 2021-22

The collaborative working between colleges, universities, students, Scottish Government, SFC, and other bodies, including through the Ministerial Leadership Group and the Learner Journey and Student Hardship Task Forces, has helped to minimise the scale of disruption and damage to both sectors from the pandemic. I want to place on record my appreciation for the constructive role that the SFC has played in this.

Now, as we progress through the gradual relaxation of the current restrictions, and as colleges and universities intensify their planning for the new academic year, we will need to redouble our collaborative efforts to help deliver a safe resumption of in-person learning, research and wider activities, whilst also building in sufficient flexibility to be able to respond rapidly to any deterioration of the situation. I look forward to SFC continuing to play a central part in this work as we move forward.

I am grateful for the work that you undertook last year to help ensure that school leavers had opportunities to secure a place at university as a result of the decision to award SQA results on the basis of teacher assessments. I look to you to continue to fund the additional student places awarded in Academic Year (AY) 2020-21 and to allocate a further 2,500 FTE additional places for students starting their studies in AY 2021-22. I ask you to take steps to

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enable students to complete qualifications and minimise deferrals, particularly college students with practical and placement requirements.

### **Widening access**

The COVID-19 pandemic has accentuated the socio-economic divide in educational attainment. I expect SFC to monitor the impact of the COVID-19 crisis on students from disadvantaged backgrounds and work with colleges, universities and other partners to mitigate the risk of reduced educational attainment, particularly among disadvantaged groups. I also ask you to continue to give priority to widening access and increasing articulation with advanced standing.

### **Student Support**

Student hardship has been a significant issue over the past year and I expect that to continue into 2021/22. Scottish Government, the Student Awards Agency Scotland (SAAS) and SFC have worked collaboratively on tackling this important issue and I am keen to ensure this continues. We have of course invested significantly in providing additional support for students and will be providing an additional £20 million for hardship support across FE and HE over the coming summer period. I look to SFC to continue monitoring the availability of support for students across the sector to ensure hardship issues are tackled.

### **Fair Work First**

As the then Cabinet Secretary for Finance and Cabinet Secretary for Economy, Fair Work and Culture made clear in their joint letter of 17 December 2020 to Chief Officers of all public bodies, it is critical that Fair Work is part of our ongoing response to the pandemic and a central element of our economic recovery. That commitment to Fair Work remains. I look to the SFC to continue to progress the Scottish Government's Fair Work First approach – adopting the Fair Work First criteria both as an employer and through applying the criteria to grants, procurements and other funding the Council awards where it is relevant to do so. I also look to the SFC particularly to engage with the college and university sectors to ensure institutions are also implementing this important agenda and to hold them to account for their performance on this. In this regard, I will expect the SFC to outline the progress the sector has made in adopting Fair Work First by the end of this financial year and will set out further expectations as needed in the updated Letter of Guidance later this year.

### **Programme for Government and the Economic Recovery Implementation Plan**

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 2020 PfG 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

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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 (ESSB).

I look to you to ensure that your work in 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.

## **Research, Science and Innovation**

Scotland rightfully has an international reputation for research excellence and the quality of its science base. Our research and science base provides a foundation on which we can build our economic and social recovery and develop our global connections and partnerships. I expect SFC to continue to give priority to supporting researchers and to maintaining the excellence of our research base. The pandemic has highlighted the critical role that research, science, innovation and collaboration play in tackling global challenges and developing solutions. SFC should play an active role in encouraging Scottish universities to work together, and with other science and research organisations in Scotland and the UK, to add value to Scotland's research excellence and help address global challenges.

Maximising the impact of our investment in research through effective knowledge exchange and innovation is also a key priority. I expect SFC to continue to strengthen its focus in this area, including supporting the role that colleges can also play in stimulating an innovation and skills-led recovery and our transition to a net zero economy.

## **Skills Planning and Future Skills Transition**

Rapid and dramatic changes caused by the global pandemic have heightened the need for Scotland's skills system to be dynamic and responsive, providing the critical skills the economy needs. To help Scotland's industries and regions to thrive, it is critical that skills planning and development activity should focus on the areas where we can generate the biggest impact in support of the Scottish Government's wider ambitions as set out in the [Future Skills Action Plan](#) and our PfG.

The SFC is also expected to continue its support for the ESSB, to ensure discussions across the Enterprise and Skills Agencies on prioritising activity in support of economic recovery can harness your collective expertise and knowledge, shaping our new economic future and determining how best we respond to emerging opportunities over the coming months.

Our Future Skills Action Plan fully endorses the recommendations made by the ESSB's Future Skills Mission as described in their 2018 Strategic Plan. The Scottish Government is committed to working jointly with Skills Development Scotland (SDS), the SFC and wider partners to coherently deliver on both the actions and recommendations of the Future Skills mission.

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## Skills Alignment

Given the economic and labour market challenges created by COVID-19, implementing and embedding skills planning across our skills agencies, the SFC and SDS, is more critical than ever. The Scottish Government remains committed to Skills Alignment with an absolute priority around a new funding and operational delivery model for Foundation and Graduate Apprenticeships (FAs and GAs) from 2021/22. Following consideration at the ESSB in December 2020, a new Skills Alignment Assurance Group has been established to provide additional assurance to Scottish Ministers on the joint implementation of skills measures. Under this governance, I expect the SFC to work with SDS in developing a new approach to skills alignment built on effective collaboration between the agencies and SFC's engagement with institutions and regional partners, which takes into account the changes in policy and economic context.

Contributing to our national mission must be an ongoing priority for SFC in 2021/22 and I expect you to continue to work with the sectors to build the skills needed for the industries of the future. This includes:

- contributing to the further development and delivery of our National Transition Training Fund;
- delivering the College led provision as part of the enhanced Flexible Workforce Development Fund; and
- as announced in the 2020 PfG, the Young Person's Guarantee will ensure every young person aged 16-24 has access to a job, education, training or development programme.

## Community Learning and Development; ESOL

Colleges have always played an important role in their local community, providing inclusive learner pathways. To continue to support those furthest from inclusion, including adults with low or no qualifications, young people and ESOL learners I expect colleges to actively participate in Community Learning and Development (CLD) planning and delivery. Led by the education authority, as per the statutory requirements, colleges should play a partnership role in the creation and delivery of the CLD plan for their local area. I look forward to seeing CLD plans which clearly articulate the role of colleges in their development and delivery.

Related to this, colleges should 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 jointly prepare 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 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.

I am grateful that the SFC continue to support the work of the Adult Learning Strategic Forum for Scotland, particularly in developing our Adult Learning Strategy. Adult learning is a vital part of our post school education system, particularly for those with few or no qualifications or facing significant barriers. In recognition of this, I expect the SFC to take an active role in both the development and implementation of this strategy. I look to you to lead

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on appropriate actions to remove barriers and maximise the impact of our investment in supporting positive learning journeys, particularly for community based adult learners.

### **SFC Contribution**

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 in a net-zero carbon society.

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 Operating Plan.

### **SFC Budget 2021-22**

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 2021-22. I ask that you maintain a forensic scrutiny on your financial position and seek all opportunities to secure efficiencies.

The budget allocation and monitoring letter will confirm your budget for 2021-22. 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.

The SFC 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.

I hope the guidance set out in this letter is helpful in informing your business planning for the coming year.



**Jamie Hepburn**

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