

**SCOTTISH FUNDING COUNCIL
SFC BOARD**

Minute of the meeting held Friday 15 March 2024 at 10am in the Boardroom, Apex 1
The 142nd meeting of the Scottish Funding Council [SFC] was held Friday 15 March 2024.

PRESENT: Dr Mike Cantlay OBE (Chair); Ms Karen Watt (Chief Executive); Ms Lorna Jack (Vice Chair); Mr David Alexander; Ms Linda Hanna MBE; Ms Mhairi Harrington OBE; Professor Ewart Keep; Mr Andy Kerr; Professor Sir Peter Mathieson; Professor Irene McAra McWilliam OBE; Mr Grant Ritchie; Professor John Wallace CEB; Professor Lesley Yellowlees CBE

APOLOGIES: Ms Sheila Duncan; Professor Dame Jessica Corner (Observer); Ms Ellie Gomersall (Observer); Ms Morven Pritchard (Observer); Ms Bethan Owen (Observer).

IN ATTENDANCE: Dr Jacqui Brasted (Interim Director, Access, Learning and Outcomes); Ms Helen Cross (Director of Research & Innovation); Mr Martin Boyle (Director of Policy, Insights and Analysis); Mr Richard Maconachie (Director of Finance); Mr Gordon Craig (Deputy Director Tertiary Education Funding); Ms Lynne Raeside (Deputy Director External Affairs); Ms Louisa Baker (Deputy Director Governance & Planning) (Board Secretary); Ms Gillian Phillips (Senior Governance Officer) (Board Clerk).

24/ 019: Welcome and Opening Remarks

1. The Chair welcomed all attendees to the meeting and the relevant apologies were **noted**.
2. The Chair took the opportunity to express his thanks for the contributions of Ms Pritchard and noted that she was due to step down from the role of Unite Convenor in the coming months.

24/ 020: Chair's Business

3. The Chair reminded Board members of their responsibility to indicate whether they had, or may be perceived to have, a conflict of interest under any item on the agenda. Whilst no new declarations were reported, it was noted that Professor Mathieson, Professor McAra McWilliam, Professor Yellowlees and Ms Hanna all had an interest in agenda item #13. It was agreed that they would not be present for the approval of university allocations. Similarly, and in relation to college allocations, the interests of Professor Keep and Ms Hanna were noted: it was agreed that they would not be present for the approval of the indicative funding of colleges.
4. It was further noted that Mr Grant and Ms Harrington had an interest in relation to item #15 and would not be present for that item.

5. The Chair reported that the Board Members' appointment process had been formally launched earlier in the week and the Senior Governance Officer would share the relevant information with Board members following the meeting, with the request to share these opportunities widely within their respective networks.

24/ 021: Minute of the meeting held 09 February 2024

6. The minute of the meeting held 09 February 2024 was **approved** as an accurate record.

24/ 022: Board Action Log

7. The Board received and **noted** the Action Log, presented by the Deputy Director, Governance & Planning.

24/ 023: Board Long Term Agenda and Dates of Future Meetings

8. The Board received and **noted** the Long Term Agenda [LTA], presented by the Deputy Director, Governance & Planning. Board members were invited to provide comments or queries to the Deputy Director or Senior Governance Officer. It was suggested that feedback received from the Board Effectiveness Review would be factored into the longer-term planning of Board business.

24/ 024: Chief Executive's Report

9. The Board received and **noted** the Chief Executive's Report, presented by the Chief Executive which drew attention to the strategic topics and many areas of activity since the previous meeting of the Board.
10. The Chief Executive augmented the written report with comments on the following themes: the highly positive results of the recent Hybrid Working Survey which had indicated that operational requirements were being met and there was a good balance between flexibility, inclusivity, consistency and fairness. It was noted that the theme of flexible working was featuring strongly in recruitment campaigns. Board members were also informed of the recent launch of the internal Analytics Portal which would enhance information and evidence to both the Board and policymakers.

24/ 025: Reform Agenda

11. The Board received and **noted** the item on Reform, presented by the Chief Executive. It was noted that engagement with the SG was ongoing and a more detailed timeline for activity would be presented to the Education, Children and Young People Committee in March. The Board was advised that work was underway internally in readiness for the anticipated work programmes.

24/026: Knowledge & Exchange Innovation Fund

12. The Board received and considered the proposals as presented by the Director Research & Innovation for the university Knowledge Exchange and Innovation Fund [KEIF] for AY 2024 25.

13. Board members were informed that KEIF represented an evolution of the University Innovation Fund (UIF). Updated metrics and the introduction of new policy drivers such as the Innovation Strategy and Entrepreneurial Campus have acted as fundamental drivers for change.
14. Board members were advised that the new funding model had been subject to extensive consultation and engagement with the sector through Universities Scotland's Research and Commercialisation Director's Group. It was noted that the new proposals had also been comprehensively reviewed by SFC's Research and Knowledge Exchange Committee (RKEC).
15. Board members queried the development and establishment of a similar funding programme for colleges which it was suggested could yield significant and substantive benefits for both the sector and local SMEs. It was noted that a proposal had been piloted a number of years ago but had not been embedded as additional funding had not been sourced. However, it was noted that the review of the Innovation Centre programme had stipulated that Innovation Centres should work with colleges. It was agreed that this should be explored further and reported back to the Board in due course.

ACTION: Director of Research & Innovation to explore possible options for college innovation investment. **Director Research & Innovation**

16. It was agreed that the Director of Research & Innovation would attend the next scheduled meeting of the Finance Committee in April to provide further information about KEIF. Following discussion the Board therefore:
 - (i) Agreed the KEIF proposals, with the caveat that the Research & Innovation (R&I) metrics included in the KEIF methodology would be discussed at the Finance Committee on 23 April, which would inform their recommendation of final allocations to the Board in May.

24/027: Board Committees: Review of Standing Orders

17. The Board received and considered the review of the Committee Standing Orders as presented by the Deputy Director Governance & Planning. It was noted that highlighted changes to the remits had been considered and agreed by the respective Committee Chair and Board Chair and each remit had been shared and agreed with each committee.
18. Board members broadly welcomed the revised approach but requested that further work be undertaken on the oversight of governance at the Board, the co-option of members to committees, and consistency around the operational aspects of the standing orders.
19. Following discussion, it was agreed that the committee standing orders would be subject to further review, in parallel with the development of the Board Standing Orders at which point the operational matters highlighted could be effectively addressed. It was

agreed that this suite of papers would be brought back to the Board for further consideration in due course.

24/028: SFC Corporate Governance Policies

20. The Board received a suite of Corporate Governance Policies and agreed, given time constraints, to defer this for approval to the Board meeting scheduled to take place in June. It was agreed that all policies would be considered by the Audit & Compliance Committee (ACC) in the first instance.

24/029: Internal Board Effectiveness Review

21. The Board received and **noted** the outcome of the recent Board Effectiveness Review, presented by the Deputy Director Governance & Planning. Board members recognised the positive nature of the review, and the areas that had been identified for improvement as a consequence of the survey.

22. Board members were advised that the results of the survey would feed into a number of areas such as the Long Term Board Agenda, the Board Development & Engagement Plan, Board Member Induction Programmes and SFC's relationship with the Scottish Government.

24/030: Board Development & Engagement Plan

23. The Board received and considered the proposed approach to update the Board Development & Engagement plan, presented by the Deputy Director, Governance & Planning. It was noted that many of the activities proposed had been identified via feedback received through the Board Effectiveness Review and Board member appraisals.

24. Board welcomed the proposals set out in the paper, noting in particular the refreshed approach to engagement with the sector. It was agreed that hearing directly from institutions would provide Board members with a deeper insight into the challenges and opportunities facing the sector.

25. It was noted that, as with all Board activities any conflicts arising would require to be managed carefully and that SFC Officers should plan the engagements accordingly to minimise opportunities for conflicts to arise.

26. It was suggested that this refreshed programme of engagement could also take a thematic or regionally based approach as well as visiting individual institutions.

27. Board members suggested that it would be helpful to see a practical plan, with the dates on which key activities and institutional visits would take place. It was agreed that this would be presented to Board members at the next scheduled meeting in May.

28. Thereafter, the Board **approved the** Board Development & Engagement Plan.

ACTION: A plan for Board development and engagement, **Deputy Director** outlining key dates for activities to be presented **Governance & Planning** to next Board meeting in May.

24/031: Annual Review of SFC Risk Management Strategy & Framework

29. The Board received the Annual Review of SFC's Risk Management Strategy & Framework and agreed given time constraints to defer this for approval to the Board meeting scheduled to take place 15 May 2024.

24/032: Indicative Funding Allocations for Colleges and Universities: Academic Year 2024-25

30. The Chief Executive provided an update on the current funding allocations process to date and reminded Board members of the requirement to make £28.5m of savings from the university budget line, following the challenging budget settlement from the Scottish Government. She updated the Board on engagement with the Scottish Government, and information provided.

31. *Discussion redacted.*

32. Following discussion, it was agreed that in order to maintain progress and to eliminate further uncertainty the Board would seek to agree the following during the current meeting:

- (i) The proposed indicative teaching funding allocations for colleges for AY 2024 25
- (ii) The proposed Student Support allocations for colleges for AY 2024 25
- (iii) The proposed capital allocations for colleges for AY 2024 25
- (iv) The proposed Non-Profit Distribution (NPD) allocation for colleges for AY 2024 25
- (v) The proposed capital maintenance allocations for universities for AY 2024 25; and
- (vi) The proposed research and innovation allocations for universities for AY 2024 25.

33. It was agreed that that the Chair and Chief Executive would write to the Cabinet Secretary to acknowledge receipt of her letter and to confirm that SFC would reconsider options for MTG allocations

Colleges

34. The Board received and **considered** the Indicative Funding Allocations for Colleges and the capital and Research and Innovation allocations for Universities for the academic year 2024 25, presented by the Director of Finance. Board members were informed that all allocations had been considered by the Finance Committee and committee members were content to recommend the approach for approval to the Board, being cognisant that the university main teaching grant recommendation had been withdrawn.

35. *Discussion redacted.*

ACTION: Discussions around the CES funding to continue **Finance Director** and an update on findings to be reported back to the Board in May.

36. Thereafter, the Board

- (i) **Approved** the proposed indicative funding allocations for colleges in AY 2024-25.
- (ii) **Approved** the proposed Student Support allocations for colleges in AY 2024-25.
- (iii) **Approved** the proposed capital allocations for colleges in 2024-25.
- (iv) **Approved** the proposed NPD allocation for colleges in 2024-25 and
- (v) **Agreed** to delegate authority to the Chief Executive to finalise the indicative funding allocations for colleges by the end of March, subject to the finalised indicative allocations being materially consistent with the contents of the paper provided to the Board and Board discussion.

Universities

37. Board members welcomed the proposed uplifts to capital and Research & Innovation [R&I] funding with the latter gaining strong support from both the sector and Board as a way to support Scotland's competitive position on research and economic strategy ambition on innovation.

38. Board members considered whether indicative university research and capital allocations should be published along with the college allocations at the end of March. It was agreed that the decision to publish university research and capital allocations separate from the MTG would be discussed with the sector in the first instance.

ACTION: MTG funding allocations for Universities to be **Director of Finance** revised and brought back to the Finance Committee and Board for approval.

39. Thereafter, the Board

- (i) **Approved** the proposed capital allocations for universities in AY 2024 25;
- (ii) **Approved** the proposed research allocations for universities in AY 2024 25; and
- (iii) **Approved** other funding as outlined.

24/033: SFC Running Costs

40. The Board received and **considered** the SFC Running Costs for 2024-25, presented by the Director of Finance. Board members were advised that the budget had been prepared based on current business requirements, however there remained a risk that the Reform Agenda would require more allocated resource than the current budget allowed. It was suggested that the Chief Executive may be required to adjust operational budget priorities once the government's reform plans became clearer.

41. Thereafter, the Board

- (i) **Approved** the proposed overall amount required for SFC's running costs for FY 2024-25 and

- (ii) **Noted** the Chief Executive's delegated authority to set out the detail of the budget and make best use of the overall allocated budget as set out in SFC's Scheme of Delegation.

24/034: Strategic Infrastructure and Investment Fund: Academic Year 2024-25

42. The Board received and considered investments of £1m and over covered by the Strategic Infrastructure and Investment Fund (SIIF) for the academic year 2024-25, presented by the Director of Finance. Board members were reminded that this funding allowed SFC to fund essential nation-wide services and infrastructure in support of SFC's statutory duties and to address Scottish Government policy priorities. It was noted that the Finance Committee had reviewed the proposals and were fully supportive of the proposals outlined.
43. Board members welcomed the proposals and following discussion:
- (i) **Approved** the allocations that were outwith the Chief Executive's delegated authority limit and
 - (ii) **Agreed to** delegate authority to the Chief Executive to use the total budget for the three quality agencies in a way that would best support the effective implementation of Scotland's Tertiary Quality Enhancement Framework [TQEF].

24/035: Audit & Compliance Committee: Minute of the meeting held 07 December 2023

44. The Board received and **noted** the minute of the Audit & Compliance Committee meeting held 7 December 2023.

24/036: SEAL Committee: Minute of the meeting held 22 January 2024

45. The Board received and **noted** the minute of the Skills, Enhancement, Access and Learning (SEAL) Committee meeting held 22 January 2024.

24/037: Finance Committee: Minute of the meeting held 23 January 2024

46. The Board received and **noted** the minute of the Finance Committee meeting held 23 January 2024.

24/038: Remuneration Committee: Minute of the meeting held 01 February 2024

47. The Board received and **noted** the minute of the Remuneration Committee meeting held 1 February 2024.

24/039: Audit & Compliance Committee: Minute of the meeting held 23 February 2024

48. The Board received and **noted** the minute of the Audit & Compliance Committee meeting held 23 February 2024.

24/040: Date of next meeting

49. It was noted that the next meeting of the Board would take place Friday 17 May at 10am. Board members were reminded that an additional extraordinary meeting would be scheduled to allow the Board to approve the university main teaching grant and the Board Clerk would contact members in due course to advise when this was likely to take place.

Reserved Item

24/042: Chief Executive Recruitment Update

50. The Chair welcomed the Deputy Director People & Transformation to the meeting. All SFC Officers, with the exception of the Senior Governance Officer were invited to leave the meeting.

51. Board members welcomed the update that the business case to appoint a permanent Chief Executive had been approved by Ministers and agreed that this would send a positive and encouraging message to employees. It was noted that the procurement exercise to appoint a recruitment partner had also been complete and a preferred supplier had been identified. Board members were informed that SFC staff would be kept informed as the process developed and members of the Remuneration Committee were likely to have a direct role in the appointment process.

52. Board members welcomed, noted and endorsed the update.